

1

2

3

4

5

6

7

8

INTERVIEW OF

9

RONALD LOUIS CHACHERE

10

JANUARY 14, 2004

11

12

13

14

15

16

17

18

19

BE IT REMEMBERED that on the 14th day of

20

January, 2004, beginning at 9:04 a.m. at the offices of

21

Enbridge, Inc., 1100 Louisiana Street, 34th Floor,

22

Houston, Texas 77002, before Meredith A. Shoemaker, a

23

Certified Shorthand Reporter in and for the State of

24

Texas, RONALD LOUIS CHACHERE appeared and under oath

25

answered the questions propounded to him as follows:

1 A P P E A R A N C E S

2

3 FOR THE INTERNAL REVENUE SERVICE:

4 Ms. Linda Creswell MC: 4636NFTW  
5 Revenue Agent  
6 Internal Revenue Service  
2601 Meacham Blvd., Suite 550  
Fort Worth, Texas 76136

7 Ms. Yvonne Peters  
8 Office of Chief Counsel  
Attorney -- LMSB  
9 Jackson Federal Building  
915 Second Avenue, Room 2710, M/S 670  
Seattle, Washington 98174

10

11

FOR MIDCOAST ENERGY RESOURCES:

12

13 Mr. Karl S. Stern  
14 Ms. Wendy Trahan Salinas  
Vinson & Elkins, L.L.P.  
2300 First City Tower  
1001 Fannin Street  
Houston, Texas 77002-6760

16

17 ALSO PRESENT:

18 Ms. Jana Jordan

19

20

21

22

23

24

25

1	EXAMINATION INDEX	
2		PAGE
3	RONALD LOUIS CHACHERE	
4	Examination by Ms. Creswell	6
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1	EXHIBIT INDEX		
2	No.	Description	Page
3	1	November 19, 1999, Chachere invoice	11
4		to Midcoast Energy Resources, Inc.;	
5		Bates Stamps CHA 5-1075 through	
6		CHA 5-1083	
7	2	August 30, 1999, "Redline" redraft	13
8		of Agreement and Plan of Merger	
9	3	September 20, 1999, Hoffman letter	22
10		to Robert; Bates Stamps MID 2.1-439	
11		through MID 2.1-440	
12	4	September 30, 1999, Furman letter	33
13		to Tutchter	
14	5	September 30, 1999, Furman letter	42
15		to Langley; Bates Stamps 000442-444	
16	6	October 7, 1999, Fax Transmittal	46
17		from Chachere to Monaldo, with	
18		attachments; Bates Stamps KP1657-1676	
19	7	October 8, 1999, Pryde e-mail to	49
20		Chachere, et al.; Bates Stamp KP1656	
21	8	October 12, 1999, Fax Transmittal	53
22		from Chachere to Pryde and Kaitson,	
23		with attachments;	
24		Bates Stamps KP1392-1398	
25	9	October 14, 1999, Fax Transmittal	58
		from Chachere to Pryde, with	
		attachment; Bates Stamps KP1448-1450	
	10	Stock Purchase Agreement By and	65
		Between K-Pipe Merger Corporation and	
		Dennis M. Langley;	
		Bates Stamps 000232-269	
	11	Stock Purchase Agreement Schedule	66
		Preamble; Bates Stamps 000270-338	
	12	October 25, 1999, Pryde e-mail to	72
		Chachere, et al.; Bates Stamp KP1136	

1 EXHIBIT INDEX CONTINUED

2	No.	Description	Page
3	13	October 28, 1999, Facsimile Transmittal from Kaitson to	76
4		Pride (sic) with attachments;	
5		Bates Stamps KP1301-1325	
6	14	November 2, 1999, Pryde e-mail to	83
7		Chachere, et al., with attachment;	
8		Bates Stamps KP1421-1434	
9	15	November 4, 1999, Fax Cover Sheet	95
10		from Kaitson to Pryde and Cave, with	
11		attachment; Bates Stamps KP1463-1465	
12	16	November 2, 1999, Pryde e-mail to	97
13		Chachere, et al., with attachment;	
14		Bates Stamps KP1480-1481	
15	17	Undated letter agreement executed	99
16		by Langley and Austin; Bates Stamps	
17		CHA 5-964 through CHA 5-966	
18	18	November 3, 1999, Palmisano e-mail	100
19		to Kaitson, et al.;	
20		Bates Stamp KP1682	
21	19	Asset Purchase Agreement;	107
22		Bates Stamps MID 2.1-16 through	
23		MID 2.1-44	
24	20	Butcher Interest Partnership General	110
25		Partnership Agreement;	
		Bates Stamps 001031-1040	

1 (The witness was sworn.)

2 MS. CRESWELL: The interview with Ron  
3 Chachere -- the testimony of Ron Chachere is being given  
4 at the office of Enbridge Energy, located at  
5 1100 Louisiana Street, Houston, Texas, on January the  
6 14th, 2004, at 9:00 a.m., about the Federal income tax  
7 liability of Midcoast Energy Resources for the 2000 tax  
8 year.

9 Present are Linda Creswell, IRS revenue  
10 agent; Yvonne Peters, IRS counsel; Ron Chachere,  
11 interviewee; Wendy Salinas with Vinson & Elkins and  
12 counsel for Midcoast; Karl Stern with Vinson & Elkins  
13 and counsel for Midcoast; and Jana Jordan, employee of  
14 Midcoast.

15 The questions are asked by Linda Creswell  
16 and Yvonne Peters, and the answers are given by Ron  
17 Chachere.

18 This interview is being recorded, as  
19 Mr. Chachere was previously notified; and the recording  
20 is by means of a court reporter. Mr. Chachere has  
21 presented himself voluntarily to be interviewed.

22 RONALD LOUIS CHACHERE,  
23 having been first duly sworn, testified as follows:

24 EXAMINATION

25 BY MS. CRESWELL:

1           Q     Mr. Chachere, would you please state your name  
2 and spell it for the record?

3           A     Yes. Ronald Louis Chachere, C-h-a-c-h-e-r-e.

4           Q     Please state your name and your home address.

5                   MS. PETERS: He just gave his name.

6           Q     (BY MS. CRESWELL) I'm sorry. Your home  
7 address.

8           A     That's 2814 Bretshire, Corpus Christi,  
9 Texas 78414.

10          Q     And will you agree to review the transcript of  
11 the interview and sign it?

12          A     Yes, I will.

13          Q     Okay. The first few questions are just  
14 background questions.

15                   Is there any reason why you would not be  
16 able to understand and answer the questions that are  
17 asked today?

18          A     No.

19          Q     Are you taking any medication that would affect  
20 your ability to understand or respond meaningfully?

21          A     No.

22          Q     Okay. If you need clarification, please feel  
23 free to ask me; and I'll try to --

24          A     All right.

25          Q     -- rephrase the question --

1           A     Sure.

2           Q     -- or have Ms. Peters do so.

3                     Mr. Chachere, how did you prepare for the  
4 interview today?

5           A     Well, I basically just looked at my billing  
6 sheet and looked over some materials that I had, you  
7 know, given for presentation to you; and that's it.

8           Q     Who assisted you in your preparation, if  
9 anyone?

10          A     Well, I didn't have any assistance other than I  
11 discussed the fact that the interview would take place  
12 and what to expect, from the two attorneys that are here  
13 with me.

14          Q     The first questions that we'll be going through  
15 are general background questions about yourself and  
16 generally about the transaction in question.

17                     What's your educational background,  
18 Mr. Chachere?

19          A     I have a B.B.A. in finance from Texas A & M  
20 University. I have a J.D. from The University of Texas  
21 law school.

22          Q     And how long have you practiced law?

23          A     A little over 30 years.

24          Q     What's your area of expertise?

25          A     Primarily oil and gas.



1 Q Okay. When did Midcoast become your client?

2 A Oh, from virtually their inception back --  
3 that's probably about 1991 or so.

4 Q Generally what type of work have you done for  
5 Midcoast over the years?

6 A Deals, mainly buying assets or buying the stock  
7 of companies.

8 Q Would that have held true in the '99 year also  
9 and the 2000 year?

10 A Yes, it would have.

11 Q Okay. Can you tell me about the type of work  
12 that you currently perform for Enbridge Midcoast? Is it  
13 the same type of --

14 A It's the same type of work, yes.

15 Q Do you assist or did you assist with any FERC  
16 regulatory filing?

17 A Yes.

18 Well, no, not with FERC. No, I would not  
19 do that.

20 Q No FERC work at all?

21 A No.

22 Q Okay. Are you familiar with the acquisition of  
23 the assets of The Bishop Group by Midcoast in 1999?

24 A Yes, I am.

25 Q Okay. Can you just generally give me what your

1 role was in that transaction? What type of work did you  
2 do?

3 A Okay. I was basically a transactional attorney  
4 involved in drawing documents to document whatever deal  
5 they made on it.

6 Q Would you term that also assisting with  
7 negotiations, or is that beyond the scope of the work  
8 that you --

9 A I don't believe I was directly involved in  
10 negotiations. Primarily I would be just instructed on  
11 what negotiations took place and what the deal was or at  
12 that point in time, what it was.

13 Q And then framing that within the language of  
14 the document?

15 A Yes.

16 Q Okay. So you would have drafted various  
17 documents for the transaction.

18 A Yes.

19 Q Okay. We're going to move now on to more  
20 specific questions about the various documents; and  
21 trying to go through these documents, we decided that  
22 probably the easiest way, the way that made the most  
23 sense for us and, hopefully, for you, too, would be to  
24 go through those billing records that you discussed that  
25 you had gone through. I think that will lead us

1 through --

2 A I agree.

3 Q -- chronologically.

4 MS. CRESWELL: Enter the invoice from  
5 Ronald Chachere to Midcoast Energy Resources for  
6 services rendered from August the 16th, 1999, through  
7 November the 9th, 1999, into the record as Exhibit 1.  
8 This document is numbered CHA 5-1075 through CHA 5-1083.

9 Q (BY MS. CRESWELL) Have you seen this document  
10 before, Mr. Chachere?

11 A Yes, I have.

12 Q And are you familiar with its contents?

13 A Yes.

14 Q Good.

15 MS. CRESWELL: I will just note for the  
16 record that this billing record is in regards to the  
17 acquisition of Kansas Pipeline and is from Ronald  
18 Chachere. The invoice is to Midcoast Energy Resources.

19 Q (BY MS. CRESWELL) Is that correct?

20 A Yes, ma'am.

21 Q Okay. What I'd like to do is just kind of go  
22 through some of the dates here; and then as we have  
23 other exhibits to enter that might reference one of  
24 these dates, that's what we will do.

25 Let's start first with the date of

1 8/24/99, and that is from Exhibit 1.

2 Further, this particular entry says that  
3 "Further work on 'redline' changes to representations  
4 and warranties, and other provisions; telephone  
5 discussion with Lon Mitchell."

6 Is that what you're seeing there at the  
7 entry of 8/24/99?

8 A That's correct.

9 Q Okay. Can you tell me who Lon Mitchell is?

10 A He was an employee of Midcoast Energy  
11 Resources, Inc., that, I believe, worked in the -- under  
12 the -- in the accounting department.

13 Q Okay. What was his actual involvement in the  
14 transaction, Mr. Chachere, if you recall?

15 A Well, I think that as far as with me, it was  
16 just basically what you see in that entry there.

17 Q So it would have been the nuts and bolts of the  
18 accounting-type --

19 A Yeah. If you look on 8/25/99, it says  
20 "Redrafting of provisions as to calculation of  
21 'Adjustment Value' in accordance with written  
22 recommendations of Lon Mitchell."

23 So he was, in effect, giving me his input  
24 on a certain portion of the purchase document, how to  
25 structure it from his viewpoint.

1 MS. CRESWELL: Enter redline redraft  
2 Agreement and Plan of Merger into the record as  
3 Exhibit 2. This exhibit consists of pages 1 through 35.

4 Q (BY MS. CRESWELL) Have you seen this document  
5 previously, Mr. Chachere?

6 A Back in 1999, I believe.

7 Q Okay. Are you familiar with its contents?

8 A Well, I haven't read it over; but I was  
9 familiar with it back then, yes.

10 Q Can you refer back now, Mr. Chachere, to  
11 Exhibit 1?

12 The date would be 8/30 of '99.

13 This particular entry has various  
14 components to it, "discussion with Attorney  
15 Kaitson . . . preparation of e-mail message as to  
16 specific provisions to review; review of redrafted  
17 'Agreement and Plan of Merger.'"

18 Do you see that?

19 A Yes.

20 Q Is Exhibit 2, which we have just talked about,  
21 the Agreement and Plan of Merger, is Exhibit 2 redline  
22 redraft Agreement and Plan of Merger, is this the  
23 agreement that's referred to in Exhibit 1 on the date of  
24 8/30/99?

25 A I believe it is.

1 Q Okay. Who did the redrafts of Exhibit 2?

2 A Well, I assume I did it. I don't specifically  
3 recall, but I certainly was working on it. So I assume  
4 that I did this redraft.

5 Q Exhibit 2 appears to be a stock purchase  
6 followed by a merger.

7 Is that your understanding of this  
8 document?

9 A Yes.

10 Q Is this a version of the Agreement and Plan of  
11 Merger referred to again in Exhibit 1 on 8/20?

12 A It should be, yes. It should be a redline  
13 redraft of that one referred to on 8/20 that was  
14 submitted.

15 Q I'd like to go through a few more dates on  
16 Exhibit 1 and just confirm that that is the same  
17 Agreement and Plan of Merger.

18 Can you look at 8/27/99 of Exhibit 1,  
19 which is making reference to another redline redraft?

20 Would that also be the Agreement and Plan  
21 of Merger?

22 A Yes, it would be.

23 Q Okay.

24 A There may have been, you know, several redline  
25 redrafts.

1 Q Right. Right.

2 And then on 9/8 of Exhibit 1, is this the  
3 Agreement and Plan of Merger also?

4 It's talking about a redline redraft  
5 there.

6 A I believe so.

7 Q Then on 9/9 of Exhibit 1, again, it's using  
8 that phrase, "redline redraft."

9 Would that also be the Agreement and Plan  
10 of Merger?

11 A On which date?

12 Q 9/9 --

13 A 9/9.

14 Q -- of Exhibit 1.

15 A I assume so.

16 Q Okay. And then lastly on 9/14 of Exhibit 1, it  
17 says "Work on revisions to provisions."

18 Would that also be provisions of the  
19 Agreement and Plan of Merger?

20 A I assume so.

21 Q Okay. Thank you.

22 If you now, Mr. Chachere, would refer to  
23 9/8 of Exhibit 1, the date 9/8, this entry has to do  
24 with a meeting in Kansas City and mentions a gentleman  
25 by the name of Bill Bray.

1                   Can you tell me who Bill Bray was?

2           A     Bill Bray is an executive with Midcoast Energy  
3 Resources, Inc.; and I don't recall at that time whether  
4 he was actually an employee or a consultant at that  
5 time.

6           Q     Okay. What type of work was he doing, or what  
7 was his job responsibility with Midcoast? Do you recall  
8 that?

9           A     Currently he's head of business development,  
10 and I believe at that time he was developing business  
11 for Midcoast.

12          Q     What would have been his role in this  
13 particular transaction?

14          A     Oh, I think basically bring the deal to the  
15 table and possibly, you know, help with the due  
16 diligence.

17          Q     If you would now refer to Exhibit 1, the entry  
18 for 9/9, which among other activities contains a phone  
19 call discussion with -- pardon me. I meant to say  
20 "9/20." I'm not sure what I said. I may have said  
21 "9/9." Let me start again.

22                   Please refer to 9/20 of Exhibit 1, which,  
23 among other things, contains a phone call and discussion  
24 with an attorney by the name of Graham Taylor.

25                   Can you tell me who Graham Taylor is,



1 Mr. Chachere?

2 A Yes. He was the lead attorney representing the  
3 Fortrend group that came in.

4 Q Had you ever had any contact with Graham Taylor  
5 before this transaction?

6 A No. I've never heard of him before.

7 Q Do you know what -- did he work for an outside  
8 law firm, or was he a --

9 A Yes. He worked for LeBoeuf Lamb. He's a  
10 partner in LeBoeuf Lamb out of San Francisco.

11 Q What was his role in the transaction, Graham  
12 Taylor?

13 A He was the lead attorney representing his  
14 client.

15 Q Was he someone that you would have dealt with  
16 fairly regularly?

17 A You mean at this time, during this transaction?

18 Q Uh-huh.

19 A I don't see him listed before. That must have  
20 been my first contact with him on that date.

21 Q Okay. This entry of 9/20/99 of Exhibit 1 also  
22 mentions an Attorney Greene.

23 Can you tell me who attorney Greene is?

24 A I think that that's a -- where is it -- but I  
25 think that that must be a --

1           Q     It's down at the very last wording there on  
2     9/20.

3           A     That's probably my mistake in not putting  
4     "Graham" and putting "Greene."

5           Q     Oh, okay. So a typo perhaps. That should have  
6     been --

7           A     Well, it's not really a typo, because I kept  
8     time slips and I would write on the time slips and then  
9     my secretary would just take the time slips and, you  
10    know, make out the billings. And I'm sure I -- I do  
11    them very hurriedly, and I probably wrote down "Greene"  
12    instead of "Graham."

13                     I was probably thinking of Graham Greene  
14    is what -- I think.

15          Q     Okay. The entry, again, on 9/20 of Exhibit 1  
16    mentions "Pipeline Holding Partners." I'm not familiar  
17    with that entity.

18                     Who is Pipeline Holding Partners?

19          A     That was the name, I think, that was given to  
20    me that would be involved in the transaction that Graham  
21    Taylor would be representing, the name of the company.

22          Q     Okay. So that was the name that was given to  
23    you by --

24          A     Yeah, I'm sure --

25          Q     -- Graham Taylor.

1           A       -- that was the name at the time; and I wrote  
2 it down on the time slip.

3           Q       Okay.

4                   MS. PETERS: So that would be an entity  
5 affiliated with Fortrend or what --

6                   THE WITNESS: Yes, it would be Fortrend,  
7 yeah.

8           Q       (BY MS. CRESWELL) Okay. So starting at 9/20,  
9 no further reference is made to the Agreement and Plan  
10 of Merger.

11                   Can you tell me what happened to that  
12 Agreement and Plan of Merger that was referenced  
13 previously?

14          A       Oh, I don't specifically remember. I mean, I'm  
15 having to go back and try to recall just basically on  
16 this descriptive stuff on the billing; but I don't  
17 specifically recall what happened to that document or  
18 that, you know, draft or whatever.

19                   MS. PETERS: Do you know if that was ever  
20 completed or executed or --

21                   THE WITNESS: No, it wasn't executed  
22 because this was between, you know, Bishop Group  
23 Limited, Dennis M. Langley, and Midcoast -- you know,  
24 Midcoast Acquisition Company. So it was not completed.

25                   MS. PETERS: Do you have -- do you know

1 why it was not completed?

2 THE WITNESS: Well, we began working on a  
3 deal with the Fortrend group, who had come in and  
4 apparently was going to buy the stock of -- from Langley  
5 and then sell assets out to Midcoast.

6 Now, we didn't stop working with Langley  
7 or his attorneys. In other words, we went on two  
8 tracks. We kept one track where we were still trying to  
9 make a deal with them and do a purchase agreement with  
10 them; and we had a second track where we were  
11 negotiating and trying to do a deal with the Fortrend  
12 group.

13 MS. PETERS: And how were those two tracks  
14 different?

15 THE WITNESS: Well, one, we were dealing  
16 directly with Langley and his attorneys to see if we  
17 could come to terms with them. The other one, we were  
18 dealing with the attorneys for the Fortrend group. It  
19 was two different transactions.

20 MS. PETERS: Uh-huh.

21 And what was the substance of your  
22 transaction with Langley after the point where Fortrend  
23 comes into the picture?

24 THE WITNESS: The substance of it?

25 MS. PETERS: What kind of a transaction

1 was it?

2 THE WITNESS: A stock purchase.

3 MS. PETERS: So in your discussions with  
4 Fortrend, the discussions -- I'm sorry.

5 So in your understanding of the  
6 transaction that was being negotiated between Midcoast  
7 and Mr. Langley, who was actually going to execute that  
8 agreement in its final form for the stock?

9 THE WITNESS: Whoever the stockholders  
10 were. I mean, I don't recall. I mean, Langley was the  
11 ultimate entity, if you will; but there were -- you  
12 know, there were holding companies and I don't remember  
13 what all, but basically it was a deal with Langley, you  
14 know.

15 MS. PETERS: And who was going to be  
16 purchasing the stock?

17 THE WITNESS: Midcoast Energy Resources

18 MS. PETERS: And so in the agreement that  
19 you're negotiating with Langley, all of these different  
20 drafts about the stock, those agreements state that  
21 they're between Langley and Midcoast?

22 THE WITNESS: I don't have any of them;  
23 but I assume so, yeah. That's my recollection, that we  
24 were on two tracks at the time.

25 MS. PETERS: Okay.

1 MS. CRESWELL: Enter a letter regarding  
2 confidentiality from Fortrend to Midcoast and dated  
3 September the 20th, 1999, into the record as Exhibit 3.  
4 This letter is numbered MID 2.1-439 through MID 2.1-440.

5 Q (BY MS. CRESWELL) Have you ever seen this  
6 document, Mr. Chachere?

7 A I don't remember it.

8 Q Do you recognize the handwriting -- or the  
9 signature, I should say, that's on page 2 of the  
10 document?

11 A The signature of Richard Robert, that looks  
12 like his signature. That was squiggle marks that he  
13 makes.

14 Q Do you recognize the signature above his,  
15 "Craig Hoffman"?

16 A No, ma'am.

17 Q And could you flip back to page 1?

18 Do you recognize the handwriting that's  
19 there on the first page?

20 A No, ma'am.

21 Q Okay. If you'll look in the bulleted first  
22 paragraph there in Exhibit 3, there is reference made on  
23 the third sentence down to "Evaluation Materials."

24 Did you ever see the evaluation materials  
25 that's referenced there?

1           A     I don't know what evaluation material they're  
2     referring to. I mean, I would have to read the  
3     document. I don't recall. I just don't recall any,  
4     being involved with it.

5           Q     It would have been evaluation material provided  
6     from Fortrend --

7           A     Right.

8           Q     -- to Midcoast.

9                     The letter goes on to state that the  
10    evaluation material is to be promptly returned to  
11    Fortrend.

12                    So, again, refreshing your memory, do you  
13    recall ever having seen any evaluation material?

14          A     I don't recall this letter, and I don't recall  
15    being involved with that aspect of it.

16                    MS. PETERS: Did you receive any materials  
17    that you were told you needed to return?

18                    THE WITNESS: I just don't have any  
19    recollection of it.

20                    MS. PETERS: This 9/20/99 entry on  
21    Exhibit 1 that references a Purchase and Sale Agreement,  
22    was this an agreement already in process when you  
23    received it; or what kind of -- what was that?

24                    THE WITNESS: I don't specifically recall.  
25    I'd just have to read back through this and see if I can

1 figure out what it was, but I don't have any -- it's  
2 been more than four years ago. I just don't remember.

3 MS. PETERS: Okay. On the entry dated  
4 9/21/99 on Exhibit 1, it says "Work on draft of Purchase  
5 and Sale Agreement between Pipeline Holdings Partners  
6 and Midcoast for certain assets."

7 THE WITNESS: Okay. Well, that tells me  
8 it was with the Fortrend group, whom I was told the  
9 buyer would be Pipeline Holdings Partners. So that  
10 tells me it was a Purchase and Sale Agreement between  
11 Midcoast and Pipeline Holdings Partners.

12 MS. PETERS: Was that agreement ever  
13 completed, or did that -- what happened to that  
14 agreement?

15 THE WITNESS: Well, an asset purchase  
16 agreement was completed and a deal done, a transaction  
17 done and assets purchased, yes.

18 MS. PETERS: Okay. Is this draft, then,  
19 the --

20 THE WITNESS: That would be the genesis of  
21 it, I would say, yeah. I mean, that's -- I believe that  
22 would be correct.

23 MS. PETERS: And was that Purchase and  
24 Sale Agreement, this original document that you started  
25 with in the drafting process, would that have come from



1 Fortrend?

2 THE WITNESS: It either came from Fortrend  
3 or from us; and I don't remember who -- you know, who it  
4 came from. I'm assuming that we drew it up, but I don't  
5 specifically recall.

6 MS. PETERS: Okay.

7 Q (BY MS. CRESWELL) How did you know to contact  
8 Graham Taylor? Did someone give you his name or --

9 A Yes.

10 Q Do you recall who?

11 A No, ma'am. It would be somebody in the  
12 Midcoast group.

13 Q Someone at Midcoast?

14 A Yeah.

15 Q Okay. Let's look now at Exhibit 1,  
16 Mr. Chachere, on the date 9/22. There's a reference  
17 there to an Attorney Cynthia Morelli.

18 Who is Attorney Cynthia Morelli?

19 A She was an associate with LeBoeuf Lamb that  
20 worked directly under Graham Taylor on this transaction,  
21 and she was also from San Francisco.

22 Q Okay. So she was also representing the  
23 Fortrend entity.

24 A Yes.

25 Q If you could now look at the date of 9/23 of

1 Exhibit 1, there's a reference made there to a Barbara  
2 Jordan.

3 Who is Barbara Jordan?

4 A I'm trying to remember. I'm assuming she  
5 worked for Midcoast, and I just can't recall --

6 Q Okay.

7 A -- for sure.

8 Q Okay. If you'll move now to the dates of 9/27,  
9 9/28, and 9/29 of Exhibit 1, this has to do with a  
10 meeting in Kansas City where various documents were  
11 worked on and various persons were met with; is that  
12 correct?

13 A Yes.

14 Q What was discussed at the meetings with -- over  
15 these three days with Attorney Monaldo and various other  
16 individuals?

17 A Again, I just don't have any specific  
18 recollection of those meetings. I'm having to rely  
19 strictly on this --

20 Q Right. I was hoping maybe --

21 A -- Exhibit 1.

22 Q -- as you read through, there might be  
23 something that would jog your memory.

24 A If there's something in here, I'm -- you know,  
25 that's what I'm going on is just reading that --

1 Q Right.

2 A -- but specifically I don't recall.

3 Q Would you -- would you know what documents  
4 would have been worked on?

5 A Well, a stock purchase agreement would have  
6 been worked on, I believe; and then there were ancillary  
7 agreements with that.

8 Q And if I remember correctly, Mr. Monaldo or  
9 Attorney Monaldo was a representative of Dennis Langley  
10 and The Bishop Group; is that correct?

11 A He was one of the attorneys --

12 Q Okay.

13 A -- yes.

14 Q And Attorney Pryde, I believe, worked for Bryan  
15 Cave, who represented --

16 A Yes, ma'am.

17 Q -- Dennis Langley and The Bishop Group; is that  
18 correct?

19 A Right.

20 Monaldo was out of another little town in  
21 Kansas, and he was basically Langley's personal attorney  
22 is the way I would couch it.

23 Q Okay. Okay. If you would now, Mr. Chachere,  
24 look at the date of 9/30 of Exhibit 1, the last sentence  
25 of this particular entry references "receipt and review

1 of changes suggested by Price, Waterhouse, Coopers to  
2 the Letter of Intent and telephone discussion with Chris  
3 Kaitson concerning same."

4 Do you see that?

5 A Yes, ma'am.

6 Q What was the role of PricewaterhouseCoopers in  
7 this transaction?

8 A They were accountants for Midcoast Energy  
9 Resources, Inc., and advised them on tax matters.

10 Q Did any of the parties of  
11 PricewaterhouseCoopers represent any other ends of this  
12 transaction or any other people, or was it just Midcoast  
13 that they were representing?

14 A I'm not aware of them representing anybody  
15 else.

16 Q Okay. Did they assist with the actual drafting  
17 of the documents?

18 A One of their -- yes, one of their attorneys who  
19 was a CPA and an attorney did primarily.

20 Q Which attorney would that have been, if you  
21 recall?

22 A Well, from reviewing this, it was Gary Wilcox.

23 Q Did he also assist with the document  
24 negotiation, Mr. Wilcox?

25 A Which document negotiation?

1 MS. PETERS: Did he participate in  
2 negotiations of the transaction?

3 THE WITNESS: Well, let me say this: The  
4 process is an evolving process. He was not involved  
5 initially; but later on, my client brought him in and  
6 needed some expertise beyond what -- Tom Palmisano was  
7 the guy that was involved for Pricewaterhouse, who's not  
8 an attorney, I don't believe. He's an accountant, a  
9 CPA.

10 And I believe it was on his recommendation  
11 that Gary Wilcox came in; and he was, you know, the tax  
12 expert. And, yes, he did the structuring at a certain  
13 point in time.

14 MS. PETERS: At what point did he come in?  
15 Was there a particular point in time that Gary Wilcox  
16 became involved?

17 THE WITNESS: Well, I remember when we  
18 started negotiating with Fortrend, he was -- you know,  
19 he came in.

20 Q (BY MS. CRESWELL) So that would have been  
21 around 9/20, referencing Exhibit 1, where reference is  
22 made to Graham Taylor? Would that be somewhere in that  
23 time frame?

24 A I assume that's right. I don't specifically  
25 recall. Again, I'm just having to rely on these notes.

1 Q Right. I understand.

2 So as far as contact with Pricewaterhouse,  
3 would it normally have been Gary Wilcox that you would  
4 have dealt with or --

5 A Well, I really -- that was not my role. Okay?  
6 So I didn't really normally deal with  
7 PricewaterhouseCoopers. You know, that would be Richard  
8 Robert, yeah.

9 MS. PETERS: Why would Gary Wilcox have  
10 contacted you or had any discussion with you?

11 THE WITNESS: Contacted me?

12 MS. PETERS: Or why would you have had any  
13 discussions with Gary Wilcox or any contact with him?

14 THE WITNESS: My client brought him in to,  
15 you know, help structure the transaction with regard to  
16 Fortrend.

17 MS. PETERS: Did he ever contact you  
18 individually to convey information or to ask a question  
19 or --

20 THE WITNESS: Well, I mean, I remember  
21 seeing him in Kansas City and I was involved in some  
22 meetings with him, but it wasn't me directly. I mean,  
23 it was -- I mean, I was in the group, I guess. So I'm  
24 not following exactly what you want but --

25 MS. PETERS: Did you exchange e-mails with

1 him or --

2 THE WITNESS: Probably not because most  
3 everything was done in Kansas City; and so even the  
4 drafting, the documents that were typed and so forth,  
5 was with Bryan Cave's typing pool.

6 Now, I did go back to Corpus in between  
7 and there was some drafting done there, but I don't  
8 recall specifically any e-mails with Gary.

9 MS. PETERS: What was your understanding  
10 of the relationship between Gary Wilcox and Fortrend?

11 THE WITNESS: I don't know of any  
12 relationship between Gary Wilcox and Fortrend. He was  
13 with PricewaterhouseCoopers representing Midcoast Energy  
14 Resources.

15 MS. PETERS: What was your understanding  
16 of how Fortrend became involved with this transaction?

17 MR. STERN: I'm going to object and  
18 instruct the witness not to answer to the extent that  
19 answering would require you to reveal any confidential  
20 communications with your client. Otherwise, you're free  
21 to answer.

22 THE WITNESS: Would you repeat the  
23 question?

24 MS. PETERS: What was your understanding  
25 of how Fortrend became involved in this transaction?

1 THE WITNESS: I don't have personal  
2 knowledge of how they got involved in it.

3 MS. PETERS: Did you ever meet with anyone  
4 from Fortrend?

5 THE WITNESS: Craig Hoffman.

6 MS. PETERS: And what was your  
7 understanding of what Craig Hoffman's role was in the  
8 transaction?

9 THE WITNESS: He was an executive for  
10 Fortrend, I believe. I mean --

11 MS. PETERS: Did he participate in any  
12 negotiations or drafting?

13 THE WITNESS: He was at some meetings. I  
14 know that.

15 MS. PETERS: Were all the meetings held in  
16 Kansas City, or were some held in Houston?

17 THE WITNESS: There was one meeting held  
18 in Houston.

19 MS. PETERS: And was Craig Hoffman present  
20 at that meeting?

21 THE WITNESS: No. That was not with  
22 Fortrend.

23 MS. PETERS: Okay.

24 Q (BY MS. CRESWELL) Let me back up, if I could,  
25 just a minute, Mr. Chachere.



1                   You've stated with PricewaterhouseCoopers  
2   that you did have some contact with Gary Wilcox and  
3   Paul -- Tom Palmisano.

4                   Were there any other persons with  
5   Pricewaterhouse that you dealt with?

6       A       Not that I recall.

7       Q       Okay.

8                   MS. CRESWELL: Enter letter of intent from  
9   K-Pipe Holdings Partners to Midcoast dated September  
10   the 30th into the record as Exhibit 4. This document  
11   consists of pages 1 through 4.

12       Q       (BY MS. CRESWELL) Are you familiar with this  
13   document, Mr. Chachere?

14       A       I'm sure I was in 1999. I'm not familiar with  
15   it at this point.

16       Q       So you think you would have seen this document  
17   in 1999; is that correct?

18       A       Yes, ma'am.

19       Q       Can you confirm the signatures on the last  
20   page?

21       A       I believe that's Dan Tutcher's signature. The  
22   one for K-Pipe Holdings, I wouldn't know.

23       Q       Okay.

24                   MS. PETERS: Did you have any contact with  
25   Jeff Furman?

1                   THE WITNESS: The name kind of rings a  
2 bell, but I don't really -- I can't picture him. I  
3 don't remember him at all.

4           Q     (BY MS. CRESWELL) Is this a letter that you  
5 would have drafted?

6           A     I don't think that I drafted this, but I don't  
7 really -- I don't really recall.

8           Q     What was your understanding as to whether  
9 Mr. Langley was negotiating with other buyers at this  
10 particular time, September the 30th, other than  
11 Midcoast?

12                   MR. STERN: Would you read that question  
13 back?

14                   MS. CRESWELL: Sure.

15                   Would you like for me to just restate it,  
16 if that's okay?

17                   MR. STERN: Yeah.

18                   MS. CRESWELL: On September 30th, what was  
19 Mr. Chachere's understanding as to whether Mr. Langley  
20 was negotiating with other buyers other than Midcoast?

21           A     Well, he was apparently negotiating with  
22 Fortrend at that time; and I believe at the time we were  
23 concerned that he might be negotiating with yet another  
24 party also.

25           Q     (BY MS. CRESWELL) You don't recall the other

1 party's --

2       A     No. We didn't know -- I think my client may  
3 have suspected who it was, but I don't remember the name  
4 or whatever.

5       Q     Were you aware at the time this document was  
6 signed, which is Exhibit 4 --

7               MS. PETERS: Is this the letter of intent  
8 that's referred to on the entry for 9/30/99 in Exhibit 1  
9 where it says "Letter of Intent" toward the bottom?

10              THE WITNESS: I assume it must be. I  
11 mean, that seems logical to me it is that one; but I  
12 don't have any independent recollection of that. I'm  
13 just relying on this rendition on the billing.

14              MS. PETERS: So when this says  
15 "receipt" -- in Exhibit 1 here on 9/30/99, it says  
16 "receipt and review of changes suggested by Price,  
17 Waterhouse, Coopers to the Letter of Intent," who would  
18 have sent you the suggestions referred to?

19              THE WITNESS: Well, it would either have  
20 to be -- I mean, I don't know who sent them to me. I  
21 mean, it could have come from Richard Robert. It could  
22 have come from, you know, my client but -- I mean, if  
23 that's what you're asking. I don't know who it came  
24 from but --

25              MS. PETERS: Was -- in the course of this

1 transaction, was it normal for Pricewaterhouse to review  
2 documents that you were negotiating?

3 THE WITNESS: Was it normal?

4 MS. PETERS: Uh-huh.

5 THE WITNESS: In this transaction, yeah.

6 They were involved -- Tom Palmisano was involved, I  
7 believe, right from the beginning, although I wasn't,  
8 you know, corresponding with him about it. It would be  
9 Richard Robert would be getting advice, as he would in  
10 any deal; and then he would just put -- give us the  
11 input of it, you know. That would be a typical deal  
12 that Midcoast would do. They would get tax advice from  
13 whoever their tax adviser was, and it would be passed on  
14 by Richard Robert.

15 MS. PETERS: Okay.

16 Q (BY MS. CRESWELL) Was Dennis Langley aware  
17 that you had entered into this letter of Exhibit 4, to  
18 your knowledge?

19 A I do not know.

20 Q Okay.

21 MS. PETERS: Would this letter of  
22 intent -- which is also referenced in Exhibit 1 on  
23 9/24/99, it appears -- would this letter of intent have  
24 been a topic at the meeting with Attorney Monaldo,  
25 Pryde, Dennis Langley where it says, 9/26/99, "including

1 review of draft documents"; "work on documents," also on  
2 9/27/99?

3 THE WITNESS: Again, I don't remember what  
4 was discussed at those meetings. I just don't have any  
5 recollection of it, you know.

6 MS. PETERS: What other documents would  
7 you have been discussing with them?

8 THE WITNESS: Well, stock purchase  
9 agreement that we were working on and ancillary  
10 agreements with that.

11 MS. PETERS: At this point in Exhibit 1,  
12 there's just the mention of the letter of intent and the  
13 Purchase and Sale Agreement.

14 Does that appear to be accurate to you?

15 THE WITNESS: Is that what, now?

16 MS. PETERS: I just don't see a mention of  
17 "stock purchase agreement" in this portion of the  
18 document, Exhibit 1. I don't see a mention of the Stock  
19 Purchase Agreement until 10/7.

20 MR. STERN: Other than the Agreement and  
21 Plan of Merger in August?

22 I'm going to object to the extent you're  
23 talking about a specific portion. I don't see it  
24 divided up into portions.

25 MS. PETERS: Up until -- up until -- well,

1 the last point at which we see any mention of the  
2 Agreement and Plan of Merger appears to be August 30th;  
3 and then there's some references to redline revisions,  
4 as we discussed earlier, and that those were likely the  
5 Agreement and Plan of Merger.

6 Then we discussed that that Agreement and  
7 Plan of Merger was abandoned approximately 9/20/99 and  
8 replaced with a Purchase and Sale Agreement, which  
9 appears to be for certain assets and between Pipeline  
10 Holding Partners and Midcoast.

11 THE WITNESS: No, I didn't say --

12 MS. SALINAS: I think we're  
13 mischaracterizing his testimony, because he never said  
14 that they abandoned the Stock Purchase Agreement.

15 THE WITNESS: Yeah, you're -- I can answer  
16 that.

17 MS. PETERS: Okay. Why don't you.

18 Thank you.

19 THE WITNESS: The Agreement and Plan of  
20 Merger, I didn't say that that was abandoned. I said  
21 that we were on two tracks after 9/20. In other  
22 words --

23 MS. PETERS: Okay. So what happened --

24 THE WITNESS: -- we're still trying to do  
25 a deal -- we're still trying to do a deal with

1 Langley --

2 MS. PETERS: Okay.

3 THE WITNESS: -- and at the same time,  
4 we're on a second track because another buyer is in  
5 trying to do a deal with him and we're trying to do a  
6 deal with that buyer to buy assets if they consummate  
7 the deal.

8 MS. PETERS: Okay.

9 THE WITNESS: Now, the documents evolved,  
10 you know. I mean, this -- I think the Agreement and  
11 Plan of Merger was the document that came from Bryan  
12 Cave; and so, you know, in the negotiation process, I  
13 mean, you've got a -- I'm going to characterize it as a  
14 big fish out there, and he's wanting to do a deal as  
15 quick as he can. He's got -- in these pipeline  
16 transactions, they've got all kinds of potential buyers.  
17 It's a matter of who's going to pay the best price and  
18 get the deal done the quickest.

19 So, I mean, you're going in and you're  
20 trying to do a transaction, but you haven't even done  
21 all your due diligence. I mean, you're working on  
22 multiple things all at one time.

23 So the agreement may start out as an  
24 Agreement and Plan of Merger and then it evolve into a  
25 stock purchase or in this case, it evolves that another

1 buyer came in and then all of a sudden, you know, we're  
2 trying to buy assets from this other buyer and then  
3 there may have been a third buyer that he's sitting and  
4 negotiating with at the same time.

5                   So all of this is just going on at the  
6 same time. So I can't -- you know, the transaction with  
7 Langley was not abandoned.

8                   Now, what the nomenclature on the document  
9 is, I don't know, at that time.

10                  MS. PETERS: So at the point where you  
11 begin to negotiate with Fortrend to purchase assets of  
12 Bishop Group, are you continuing to negotiate with  
13 Bishop Group to purchase their stock?

14                  THE WITNESS: Yes, because if the deal  
15 falls through with Fortrend, either from Fortrend buying  
16 it from Langley or us buying it -- well, if it falls  
17 through that way, we don't have a deal. We can't -- so,  
18 you know, my client wanted these assets. So, you know,  
19 they're not going to abandon the thing and then let him  
20 go to this third party that's out there. I mean,  
21 they're keeping him on the string, in effect, still  
22 negotiating.

23                  MS. PETERS: So at the meeting in  
24 Kansas City on the 26th of September through, it  
25 appears, the 28th, what documents would have -- would



1 you have been discussing with Attorney Monaldo,  
2 Attorney Pryde, and Dennis Langley? What agreements  
3 would you have been discussing with them?

4 THE WITNESS: It would have been documents  
5 between -- a deal between Midcoast and Langley. It  
6 would have been, you know, a purchase of the stock, I  
7 believe, and a bunch of ancillary agreements that go  
8 with it.

9 For instance, I notice this guy -- if you  
10 look on 9/28, it says "Attorney Chris Fisher."

11 Okay. He was an attorney with Bryan Cave  
12 that they brought in to deal with easements. In other  
13 words, when you're buying these assets or you're buying  
14 the company that owns the assets, whatever the  
15 transaction is -- I mean, basically what my client was  
16 looking at was a pipeline through the heart of  
17 Kansas City that they viewed as a very, very valuable  
18 asset.

19 Okay. Langley was a very shrewd  
20 character, and he's also an attorney. He's extremely  
21 intelligent. He wanted to keep, as I recall, rights for  
22 laying fiber optic lines and so forth through these  
23 easements. So he brought in this guy, Chris Fisher.

24 Now, I remember having very heated  
25 discussions with Fisher negotiating about, you know,

1 what rights that they would cut -- in effect, cut out  
2 and keep; and Fisher was trying to keep for Langley  
3 these certain rights through the pipeline easements,  
4 which were -- as I recall, they were not very -- the  
5 easements were not very wide.

6 And so you had a lot of pipe running  
7 through it, and I think you're going through the old  
8 part of Kansas City. There's no way to put in bigger  
9 pipelines and so forth and maybe put in the fiber optic  
10 and meet all the regulations and everything. And as I  
11 recall, Langley wanted those rights to be paramount.

12 Well, here we're going to pay a huge sum  
13 of money; and he's wanting to keep certain rights in  
14 those easements to maybe lay fiber optic that might  
15 interfere with operations.

16 So I do recall that when I see the name  
17 there. So we were discussing all that pretty heavily.

18 MS. CRESWELL: Enter letter of intent from  
19 K-Pipe Holdings Partners to Dennis Langley dated  
20 September the 30th into the record as Exhibit 5. This  
21 document is numbered 000443 through 000444.

22 Q (BY MS. CRESWELL) Are you familiar with this  
23 document or this letter, Mr. Chachere?

24 A Not at this time. I may have been, you know,  
25 back in 1999.

1 Q Did you see this document or have you seen this  
2 document before?

3 A I don't -- I don't recall if I have or not.

4 Q Okay. Could you flip over to page 3 and  
5 confirm the signature on this document?

6 A There's a signature purportedly of Dennis M.  
7 Langley, but I'm not familiar with his signature.

8 Q Okay.

9 MS. PETERS: Were you aware that  
10 Mr. Langley was entering into a letter of intent with  
11 K-Pipe Holdings Partners?

12 THE WITNESS: Yes, I'm -- yes, I'm sure I  
13 was. I mean, they would have to have something to start  
14 their transaction. So for buying assets from K-Pipe,  
15 I'm sure I was aware that they entered into a letter of  
16 intent. I was aware they were entering -- or trying to  
17 enter into a purchase agreement.

18 MS. PETERS: Were you aware of the terms  
19 of their letter of intent?

20 THE WITNESS: I do not recall.

21 Q (BY MS. CRESWELL) If you could refer back,  
22 Mr. Chachere, to Exhibit 1, the date of 9/27 -- okay.  
23 We may have already covered this. It says "working  
24 on" -- "work on the documents."

25 A Yeah. My testimony was and what my belief is,

1 we were working on documents between Langley and  
2 Midcoast, including, what I was talking about, all those  
3 ancillary agreements.

4 Q Okay. If you could refer to Exhibit 1,  
5 Mr. Chachere, the date of 10/1, there is reference made  
6 to a person or an attorney by the name of Darryl  
7 Haggerman.

8 Could you tell me who Darryl Haggerman is?

9 A He was an employee of Midcoast Energy  
10 Resources, Inc., in the business development department.  
11 He's not an attorney, though.

12 Q Okay.

13 A I think he's an engineer.

14 Q Could you describe what his role would have  
15 been?

16 A Well, I don't recall specifically; but looking  
17 at this entry of 10/1/99, I must have called him asking  
18 about information that would need to be completed on  
19 the -- on the premerger notification form to be filed  
20 with the FTC and Department of Justice.

21 Q This entry on Exhibit 1 dated 10/1/99 also  
22 makes reference to a Jan Warren.

23 Can you tell me who Jan Warren, he or she,  
24 is?

25 A It would be a she, a female; and she also was

1 an employee of Midcoast Energy Resources, Inc. And I  
2 don't remember what capacity. I can't even picture her  
3 face in my mind.

4 Q Okay.

5 MS. PETERS: This also mentions on 10/1/99  
6 obtaining a check for 45,000.

7 What was that for?

8 THE WITNESS: That would be the filing  
9 fee. When I, you know, filed with the Department of  
10 Justice, I had to tender a 45,000-dollar fee.

11 Q (BY MS. CRESWELL) Moving on to the entry in  
12 Exhibit 1 of the date 10/7/99, it mentions discussions  
13 with attorney Jim Zakoura and regarding "implied  
14 covenant of good faith and fair dealing."

15 Can you tell me who Jim Zakoura is?

16 A He was a local attorney in, I think, Overland  
17 Park, Kansas, that we were given his name. I wanted  
18 local counsel to ask some questions about some issues  
19 that came up.

20 Q And what is meant by the "covenant of good  
21 faith and fair dealing"?

22 I don't understand that.

23 A That would apply to -- specifically to Kansas  
24 law, I believe, and was involved in some of the  
25 documents issues with respect to that implied covenant

1 under Kansas law.

2 Q Okay. Exhibit 1 on 10/7 refers to various  
3 handwritten requests -- requested changes to the Stock  
4 Purchase Agreement.

5 Is the Stock Purchase Agreement ultimately  
6 entered into between Langley and K-Pipe Merger?

7 It's found on the third line of the entry  
8 on 10/7 of Exhibit 1.

9 A No. That would be a stock purchase agreement  
10 between Midcoast and Langley.

11 MS. CRESWELL: Enter a Fax Transmittal  
12 dated 10/7/99 from Ronald Chachere to Tino Monaldo  
13 regarding Stock Purchase Agreement and schedules into  
14 the record as Exhibit 6. This document is numbered  
15 KP1657 through KP1676.

16 Q (BY MS. CRESWELL) This appears to be edits,  
17 drafts to the Stock Purchase Agreement; is that correct,  
18 Mr. Chachere?

19 A To a stock purchase agreement, yes, ma'am.

20 Q To a stock purchase agreement.

21 Are you familiar with this document?

22 A It's my handwriting on it.

23 Q Okay. That was my next question.

24 A Yeah. But I don't specifically recall it.

25 Q Okay. Is this your handwriting that's found on

1 the actual Fax Transmittal sheet --

2 A Yes, ma'am.

3 Q -- the bold handwriting?

4 A Yes.

5 Q Can you identify the handwriting on the  
6 subsequent pages, the bold handwriting, to be yours?

7 A I believe so --

8 Q Okay.

9 A -- although some of it is not mine. There are  
10 apparently comments that were made to changes is what I  
11 think I'm looking at. So not all of those comments  
12 would be mine.

13 Q The handwriting that's standing out to me is  
14 found on page KP1659, which is the third page over.  
15 There's a paler or a less distinct handwriting on the  
16 top right-hand margin: question mark, "distribution of  
17 excluded assets."

18 Do you recognize that lighter handwriting?

19 A No, ma'am.

20 MS. PETERS: Is that the handwriting  
21 you're referring to when you said --

22 THE WITNESS: Yeah, that's correct.

23 That's what I'm referring to that looks like a --

24 MS. PETERS: That is not your handwriting.

25 THE WITNESS: That is not mine, yes.

1 Q (BY MS. CRESWELL) Okay. Exhibit 1 -- back to  
2 Exhibit 1, on the date 10/7 refers to drafts of the  
3 Stock Purchase Agreement and is the fax transmittal  
4 Exhibit 6, which we have just looked at.

5 Is that one of the drafts that Exhibit 1  
6 is referencing on 10/7?

7 A I don't recall. I suppose so. I don't recall  
8 specifically.

9 MS. PETERS: Well, does it seem right to  
10 you that --

11 THE WITNESS: Yeah, it does. It says  
12 "10/7." It's a fax. I would assume it is, but I just  
13 don't have independent recollection of it.

14 Q (BY MS. CRESWELL) Okay. Let's refer now back  
15 to Exhibit 1 to the date 10/8. This entry refers to  
16 review and revisions of various documents.

17 Does that appear to be a correct summary  
18 of that entry, Mr. Chachere?

19 A On 10/8?

20 Q Yes, sir.

21 A It says: "Receipt and review of revised  
22 schedules to Stock Purchase Agreement; receipt and  
23 review of and making of handwritten revisions to the  
24 Security Agreement Project Development Agreement" --  
25 now, what is the question?



1 Q Okay. I was just confirming that we were on  
2 the same -- on the same entry there on Exhibit 1.

3 MS. CRESWELL: Enter Fax Transmittal  
4 dated -- okay.

5 Enter e-mail dated 10/8/99 from James  
6 Pryde to Ron Chachere, Chris Kaitson, Y. Korb, and Tino  
7 Monaldo regarding the Stock Purchase Agreement into the  
8 record as Exhibit 7. This document is numbered 002678.

9 Q (BY MS. CRESWELL) Are you familiar with this  
10 e-mail, Mr. Chachere?

11 A I don't recall it. I have no independent  
12 recollection of it.

13 Q I'll give you a minute to look at it and see if  
14 you recall the contents.

15 A Okay.

16 (Reading silently.)

17 Again, I just don't have any specific  
18 recollection but --

19 Q Does it seem familiar to you, the contents seem  
20 familiar?

21 A Some of it, I think, would be, yeah. I mean,  
22 I --

23 Q Is this an item -- is this Exhibit 7 an item  
24 referenced to in Exhibit 1 on the date 10/8?

25 The first line is talking about receipt

1 and review of revised schedules to the Stock Purchase  
2 Agreement.

3 Would this -- would Exhibit 7 have been  
4 the actual revised schedules?

5 A Well, I mean, it says it's attached as a  
6 revised blackline Stock Purchase Agreement. So looks  
7 like it's talking about the body of it rather than  
8 schedules on the -- on the e-mail.

9 MS. PETERS: No. 2 on the e-mail of  
10 Exhibit 7 states "Company Disclosure Schedule"?

11 THE WITNESS: Okay. Yeah.

12 MS. PETERS: Were those schedules attached  
13 to the Stock Purchase Agreement?

14 THE WITNESS: I don't remember. I assume  
15 they were. I mean, that's what the e-mail's saying. I  
16 mean, I don't remember but --

17 Q (BY MS. CRESWELL) Okay, Mr. Chachere, that  
18 Paragraph 1 that's numbered Paragraph 1 in Exhibit 7,  
19 says that the: "Dates in Article 2 and 11 have not been  
20 approved by Dennis."

21 Is that "Dennis" Dennis Langley they would  
22 be referring to there?

23 A That's the only Dennis I was familiar with in  
24 the transaction, yes.

25 Q Okay. Paragraph 4 also makes reference to

1 "Dennis."

2 Again, would that have been Dennis  
3 Langley?

4 A It would have to be, yes.

5 Q Okay. Paragraph 4 also makes reference to  
6 "Tino."

7 Would that be Tino Monaldo?

8 A Yes.

9 Q Okay. There is also a reference on Paragraph 3  
10 of Exhibit 7 to "PDA."

11 Would that be "project development  
12 agreement"?

13 A I'm sure it is, yes.

14 Q And then Paragraph 3 also makes reference to  
15 "CRIA."

16 What is that?

17 A I can't think what that is.

18 Oh, contingent revenue interest agreement.

19 Q Oh, okay.

20 Do you have -- thank you for coming up  
21 with that acronym, but do you know what that would be  
22 associated with?

23 A I believe -- and, again, I'm very cold on all  
24 this and I have not reviewed any of these documents, but  
25 Langley was going to, in effect, keep a revenue interest

1 or revenue stream. And the way he was going to do it is  
2 intercompanywise or with affiliates.

3 So, in essence, see, he's putting a deal  
4 out there that he's going to sell; but at the same time,  
5 he's negotiating trying to keep whatever he can syphon  
6 off or keep. And one of the things was a contingent  
7 revenue interest in -- and I believe it had to do with  
8 possibly maybe adding new business to the existing  
9 pipeline.

10 He would, in effect, get what we would  
11 refer to as a kicker. In other words, he would get a  
12 certain portion of that revenue, maybe for a certain  
13 period of time, because, I mean -- so he would attribute  
14 more value than just the cash; and so he would come up  
15 with these agreements that he wanted to put into place.

16 So when you bought either the stock or the  
17 assets, you were, in effect, inheriting those  
18 obligations.

19 Q Did that ever become part of the final deal?  
20 Do you know?

21 A I believe it did, yeah. I'm pretty sure it  
22 did.

23 MR. STERN: We've been going over an hour.  
24 You want to take a break?

25 MS. CRESWELL: Oh, yeah. I was so

1 fascinated -- thank you.

2 We'll go off the record and take a break.

3 (A break was taken from 10:13 to  
4 10:24 a.m.)

5 Q (BY MS. CRESWELL) I'd like to remind you,  
6 Mr. Chachere, that you are still under oath.

7 If you would refer now to Exhibit 1, the  
8 date of 10/11 of Exhibit 1. This entry makes reference  
9 to a man by the name of Don Whittington.

10 Can you identify Don Whittington?

11 A He's also an employee of Midcoast Energy  
12 Resources, Inc. He works in the regulatory field.

13 Q Okay.

14 MS. CRESWELL: Enter Fax Transmittal dated  
15 10/12/99 from Ron Chachere to Jim Pryde and Chris  
16 Kaitson into the record as Exhibit 8. Attached to this  
17 Fax Transmittal is a draft of a Security Agreement, and  
18 this document is numbered KP1392 through KP1398 and  
19 Bates stamped 002414 through 002420.

20 MR. STERN: Could we just have the source  
21 of these documents?

22 MS. CRESWELL: Pardon? I'm sorry?

23 MR. STERN: These weren't produced by  
24 Midcoast?

25 MS. PETERS: No.

1 MS. CRESWELL: No.

2 MR. STERN: So what is the source?

3 (Sotto voce discussion.)

4 MS. PETERS: It's Bryan Cave.

5 MS. CRESWELL: Bryan Cave.

6 MS. SALINAS: There's two different Bates  
7 numbers on there.

8 Are they both Bryan Cave's Bates numbers?

9 MS. CRESWELL: No. The top number, the  
10 002414, is my Bates stamp.

11 MS. SALINAS: Oh, okay.

12 MS. CRESWELL: The second one is the Bryan  
13 Cave.

14 MS. SALINAS: Is the Bryan Cave.

15 MS. CRESWELL: Right.

16 MS. SALINAS: Okay.

17 MS. CRESWELL: Yeah.

18 Q (BY MS. CRESWELL) Okay. Are you familiar with  
19 this document, Mr. Chachere?

20 A I don't recall it specifically, but I am  
21 familiar with the project development agreement. I  
22 don't specifically remember the Security Agreement, but  
23 it is my handwriting on it.

24 Q That was going to be my next question.

25 Can you identify the -- there's a bold

1 handwriting, and then there is a -- again, a lighter or  
2 smaller, finer handwriting.

3 Which is your --

4 A Mine would be the bold -- bolder handwriting.

5 Q Okay. And that bold handwriting is found  
6 throughout the document.

7 Would that be, the same handwriting, your  
8 handwriting?

9 A Yes.

10 Q Okay. Can you identify that -- the finer or  
11 lighter handwriting that's found --

12 A No, ma'am.

13 Q -- also throughout?

14 MS. PETERS: On that first -- page 2415 is  
15 the Bates number -- it says "Richard Robert."

16 Would that be his handwriting or just a  
17 reference to him?

18 THE WITNESS: I'm assuming it's a  
19 reference, but I really don't know.

20 MS. PETERS: Okay.

21 Q (BY MS. CRESWELL) If you would now, again,  
22 look back at Exhibit 1 for the date 10/12, that's making  
23 reference to a revised Security Agreement on the first  
24 line of that entry, on 10/12 in Exhibit 1.

25 Is this the version referred to in

1 Exhibit 1 on 10/12?

2 A I'm sure it must be, yes.

3 Q Okay.

4 A It's the same date on the fax, it's attached to  
5 it. So --

6 Q Was Exhibit 8 -- was Exhibit 8 part of the  
7 project development agreement?

8 A Well, I haven't read through it right now and I  
9 don't specifically recall this instrument, but just  
10 looking at it generally now, it has to do, I believe,  
11 with securing the obligations on the project development  
12 agreement is what it looks like.

13 Q Okay. Was the project development agreement --  
14 I believe there were two of them.

15 Were they negotiated by Langley and  
16 Midcoast?

17 A Yes.

18 Q Who participated in the negotiations for those  
19 project development agreements?

20 A Well, I know I was involved and I'm sure Tino  
21 Monaldo was involved and I'm sure Jim Pryde was  
22 involved. And then from the Midcoast side, I don't  
23 specifically remember; but, you know, it would have to  
24 be the executives involved, you know, and probably Jim  
25 Berthelot and/or Richard Robert. I would not -- I would



1 be just the attorney involved.

2 Q Did anyone with Fortrend participate in the  
3 project -- in the negotiations for the project  
4 development agreements?

5 A I don't recall.

6 Q Can you refer, Mr. Chachere, to Exhibit 1, the  
7 entry for 10/13?

8 (Sotto voce discussion.)

9 Q (BY MS. CRESWELL) Yvonne is reminding me that  
10 you have identified Chris Fisher.

11 I'm sorry. I missed that. His name is  
12 about halfway down in this entry but --

13 A He was an attorney that worked for Bryan Cave  
14 that was brought in specifically to deal with --

15 Q That's right.

16 A -- with the -- you know, the easement issue.

17 Q Yes. I do remember now. Thank you.

18 MS. PETERS: These easement issues, that  
19 was part of your Stock Purchase Agreement negotiations  
20 as opposed to the project development agreement?

21 THE WITNESS: I believe so. It would have  
22 to be, yeah.

23 MS. PETERS: Okay.

24 MS. CRESWELL: Enter Fax Transmittal and  
25 fax dated 10/14 from Ronald Chachere to Jim Pryde into

1 the record as Exhibit 9. This exhibit is numbered

2 KP1448 through KP1450.

3 Q (BY MS. CRESWELL) I'll give you a minute to  
4 look at this document.

5 A (Reading silently.)

6 Q Are you familiar with this document,  
7 Mr. Chachere?

8 A Not at this time. I must have been back in  
9 1999.

10 Q Did you -- would you have assisted with  
11 drafting this document?

12 A Yes.

13 Q And the attachment, specifically?

14 A Right. Yes.

15 Q Okay. Is the Stock Purchase Agreement referred  
16 to on the Fax Transmittal sheet the agreement ultimately  
17 entered into between Langley and K-Pipe Merger on  
18 October the 25th?

19 A I don't think so.

20 Q Okay. Why do you say that?

21 A Because I don't recall being involved with  
22 their Stock Purchase Agreement.

23 Q Okay. What had led -- back to the fax.

24 What had arisen that led to your response  
25 to Jim Pryde about suggested revisions as stated on the

1 Fax Transmittal sheet?

2 A Would you repeat that? I'm sorry.

3 Q Yeah. The message that's here on the Fax  
4 Transmittal sheet, what had arisen -- just -- can you  
5 give me your thoughts? What led to your response there?

6 A Well, I don't know specifically what led to it;  
7 but I know generally I was having difficulty with Pryde,  
8 because we were in Kansas most of the time working on  
9 the documents. We would submit handwritten changes that  
10 we would ask to go through their typing pool overnight  
11 and come back redlined with requested changes that we  
12 wanted. We'd get them back the next day; and they  
13 wouldn't have all of our changes, which is very unusual  
14 in an, you know, attorney-to-attorney relationship.

15 Q Right.

16 A And so it was very frustrating.

17 And then I guess this must have been the  
18 time I confronted him about it.

19 Q What was his response to that?

20 That would seem rather unusual.

21 A It's a pretty cavalier attitude, like, you  
22 know, "We don't have to do it. We're just going to  
23 accept those that we're willing to accept, and that's  
24 what we're going to give you back," which made our job a  
25 lot more difficult.

1 Q Very frustrating, I imagine.

2 A Yes.

3 Q If you could now -- again, with Exhibit 9, if  
4 you could flip to the last page, which is -- which is  
5 numbered KP1450, there's a reference there to a tax  
6 sharing agreement and that Richard Robert is having the  
7 tax sharing agreement reviewed by Midcoast's tax  
8 advisers.

9 Who exactly would that have been?

10 A PricewaterhouseCoopers.

11 Q Would that have been something that Gary Wilcox  
12 would have been involved with?

13 A Possibly, yes.

14 MS. PETERS: Would that be Tom --

15 THE WITNESS: Palmisano.

16 I mean, those are the only two that I  
17 visited with. I don't know if there were additional  
18 people working, you know, with PWC; but I'm presuming it  
19 would be those two, though.

20 Q (BY MS. CRESWELL) Okay. If you could now  
21 reference back again to Exhibit 1, the date of 10/14,  
22 various things are included there on that entry; but the  
23 sixth line down does state "faxing of same to Attorney  
24 Pryde with a message."

25 Would that be referencing Exhibit 9,

1 Mr. Chachere, which is, of course, the Fax Transmittal  
2 to Jim Pryde?

3 A I presume so because it's -- the Fax  
4 Transmittal is dated 10/14/99.

5 Q Okay. If you could now, again, refer to  
6 Exhibit 1, the dates here would be 10/20 and 10/21.

7 10/20 states: "To Kansas City regarding  
8 discussions with Richard Robert and Chip Berthelot;  
9 extensive meetings with Attorney Monaldo, Attorney  
10 Pryde, Attorney Fisher, Attorney Kaitson, et al, working  
11 on agreements."

12 And then 10/21: "Continuation of meetings  
13 and work on documents."

14 Is that correct, Mr. Chachere?

15 A That's what the entry says, yes, ma'am.

16 Q Okay. Do you recall this meeting in  
17 Kansas City?

18 A Not specifically, no.

19 Q The entry makes reference to discussions.

20 Do you remember what was discussed?

21 A Well, I see Attorney Fisher's name in there.  
22 So that tells me -- and he was brought in specifically  
23 for the easement problem. So I know that that was --  
24 that had to be discussed. I mean, we had extensive  
25 discussions and blow-ups about that.

1           Q     Do you recall specifically what documents would  
2 have been included there, as referenced on 10/21 of  
3 Exhibit 1?

4           A     No, ma'am. The only thing I can say is with  
5 Fisher's name, it would be whatever document, you know,  
6 dealt with the easement situation.

7           Q     Sounds like Langley and his group were really  
8 trying to drive a hard bargain.

9                     Okay. If you would refer now to  
10 Exhibit 1, the dates of October the 22nd, 23rd, and  
11 24th: "Continued extensive meetings with and work on  
12 documents with all parties and attorneys, including Gary  
13 Wilcox and Tom Palmisano, Craig Hoffman, Attorney  
14 Morelli, Attorney Monaldo, Attorney Pryde, Attorney  
15 Kaitson, Richard Robert and Chip Berthelot; return to  
16 Corpus Christi."

17                    In this respect in referencing Gary  
18 Wilcox, could you explain to us what he was working on  
19 at this point in regards to the transaction, if you can  
20 recall that from this entry?

21           A     He would have been working on the transaction  
22 between K-Pipe Partners and Midcoast.

23           Q     Would that have been the same answer as far as  
24 Paul -- Tom Palmisano, also in reference to the dates of  
25 10/22, 23, and 24 of Exhibit 1?

1           A     I believe so, yes.

2           Q     Okay. Do you have any specific recollections  
3 of Craig Hoffman at this meeting, what he would have  
4 been concerned with or what he would have been  
5 negotiating for?

6           A     I believe that he was, you know, an executive  
7 with Fortrend.

8           Q     Was he an attorney? Do you recall?

9           A     No, I don't think so.

10                   MS. PETERS: And what was Fortrend doing  
11 at this meeting?

12                   THE WITNESS: Well, Fortrend was the group  
13 that formed the K-Pipe Partners that bought the stock --  
14 ultimately bought the stock from Langley and then sold  
15 certain assets to Midcoast.

16           Q     (BY MS. CRESWELL) It sounds like from reading  
17 Exhibit 1 on the dates of 22, 23, and 10/24 that you  
18 were still in Kansas City. I'm not seeing that you  
19 returned but -- so essentially you have been there, you  
20 know, several days. It sounds like a pretty rigorous  
21 meeting that you were going through.

22                   Specifically can you can elaborate on the  
23 continuity of those meetings through that time period?

24           A     Well, I don't recall specifically; but, I mean,  
25 I'm just having to pick up, the same as you, looking at

1 those dates, that we were up there for a long period of  
2 time.

3 I remember at one point -- and I don't  
4 know if it was during this point or not; but Langley  
5 says, "If anybody leaves, the deal's off."

6 Q Wow.

7 A We wanted to leave for the weekend and then  
8 come back on Monday, you know; and I don't know if that  
9 was this period of time or not. But, you know, I mean,  
10 we were working on the deal with -- obviously with  
11 K-Pipe at that point.

12 MS. PETERS: Do you recall which document  
13 you would have been working on at this time?

14 THE WITNESS: Well, with K-Pipe, it would  
15 be, you know, the asset purchase agreement or whatever  
16 we called it, you know, to buy, again, certain assets if  
17 they closed their deal with Langley. Then we would buy  
18 certain assets from them.

19 MS. PETERS: Uh-huh.

20 And with Langley, what were you working  
21 on?

22 THE WITNESS: Probably the project  
23 development agreement, because -- and maybe the  
24 contingent interest revenue agreement, because those  
25 were two of the ancillary deals that I was telling you



1 before that he was going to put in -- no matter who  
2 bought it, he was going to put that in the deal.

3                   So if we ended up buying directly with  
4 him, then we were going to inherit it directly. If we  
5 bought assets, we were going to be -- from K-Pipe, we  
6 were going to be stuck with buying those assets. So  
7 basically it was, you know, a part of our due diligence  
8 at that point in time as to whatever he was going to  
9 strap on, if you will, onto that corporation or those  
10 entities or whatever, whatever obligations.

11                   We were very concerned about that. I  
12 mean, we're not -- you know, we're not going to buy  
13 assets from K-Pipe Partners and then be blind about some  
14 deal that's entered into in the eleventh hour that we're  
15 not aware of. So, you know, we were directly involved  
16 with those issues because, you know, if we bought  
17 directly or if we bought assets, we were going to be  
18 hung with it.

19                   So -- and Langley, you know, he wasn't  
20 going to put those in place unless he sold -- sold the  
21 assets or the companies. I mean, that was just  
22 something that he was going to put in place only if a  
23 deal went down. So we had to be working on all that at  
24 that point in time.

25                   MS. CRESWELL: Enter Stock Purchase

1 Agreement By and Between K-Pipe Merger Corporation and  
2 Dennis Langley into the record as Exhibit 10. This  
3 exhibit is Bates stamped 000232 through 000269.

4 MS. SALINAS: Who was the source of these  
5 documents -- or this document with this Bates stamp?

6 MS. CRESWELL: This is from K-Pipe.

7 Enter the Stock Purchase Agreement  
8 Schedule Preamble into the record as Exhibit 11. This  
9 exhibit is numbered 00270 through 000338.

10 Q (BY MS. CRESWELL) Mr. Chachere, are you  
11 familiar with Exhibits 10 and 11?

12 A I mean, I don't -- I assume I was back at some  
13 point in time, but I don't recall when. I'm not  
14 familiar with them at this point. I have not looked at  
15 them in four years, I guess.

16 Q Is this the final -- or these the final  
17 documents whose negotiations are referred to in  
18 Exhibit 1 as the Stock Purchase Agreement?

19 MR. STERN: Objection to the form.

20 There are multiple references to stock  
21 purchase agreements. It's not specific.

22 MS. PETERS: Is this Stock Purchase  
23 Agreement referred to in Exhibit 1?

24 THE WITNESS: I don't think so. I mean, I  
25 don't recall working on any Stock Purchase Agreement

1 between K-Pipe and Langley.

2 Q (BY MS. CRESWELL) So if you would refer  
3 back -- I know you've got a lot of papers there, but if  
4 you could refer back to Exhibit 6.

5 A Which one was 6?

6 Q I'm so sorry you're not marking yours.  
7 It's the fax dated 10/7.

8 A Okay. I have it.

9 Q Okay. That is referencing a Stock Purchase  
10 Agreement and schedules also.

11 Is this a different Stock Purchase  
12 Agreement than we have entered as Exhibits 10 and 11?

13 MR. STERN: I'm going to object to your  
14 characterization of the document. It's not an  
15 agreement. It's a draft.

16 MS. PETERS: Please answer the question.

17 Is Exhibit A a portion of --

18 MR. STERN: Exhibit what?

19 MS. CRESWELL: Exhibit 6.

20 MS. PETERS: I'm sorry.

21 Exhibit 6, 10/7/99, how is that related to  
22 Exhibit 10, the Stock Purchase Agreement between K-Pipe  
23 Merger and Dennis Langley?

24 THE WITNESS: I don't know. I mean, I  
25 would just have to -- I don't recall. I do not recall

1 working on any stock purchase agreement between -- or  
2 drafts of stock purchase agreements between Langley and  
3 K-Pipe.

4 MS. PETERS: Uh-huh.

5 And this handwriting here on page 6 of  
6 Exhibit No. 6, is that is your handwriting?

7 THE WITNESS: The bold portion is, yes.

8 MS. PETERS: And Article II, Purchase and  
9 Sale, 2.1, some of these items here in your handwriting  
10 appear in this Stock Purchase Agreement between K-Pipe  
11 Merger and Dennis Langley.

12 THE WITNESS: Come again?

13 MS. PETERS: Some of your handwriting that  
14 is here in Exhibit 6 appears in the final agreement  
15 between K-Pipe Merger and Dennis Langley, Exhibit 10.

16 So, for example, on page 7 of Exhibit 10,  
17 under Article II, Purchase and Sale, it states: "Upon  
18 the terms and subject to the terms and conditions of  
19 this Agreement at the Closing, but effective as of the  
20 Effective Time, Buyer will purchase from Stockholder,  
21 and Stockholder will sell to Buyer, the Common Stock for  
22 the Purchase Price."

23 In Exhibit 6 on page 6 -- or it's page 2  
24 of the exhibit, but it's apparently page 6 of this  
25 draft --

1 THE WITNESS: Okay. I'm on page 6 on the  
2 draft, but where are you on the executed Stock  
3 Purchase --

4 MS. PETERS: I'm on page 7.

5 THE WITNESS: Page 7. Okay.

6 (Reading silently.)

7 MS. PETERS: Do you see that paragraph,  
8 Article II, Purchase and Sale --

9 THE WITNESS: Uh-huh.

10 MS. PETERS: 2.1?

11 And in the draft, it has the same revised  
12 wording: "Upon the terms and subject to the terms and  
13 conditions of this Agreement"; and in your handwriting,  
14 it says "at the closing, but." And there's another  
15 apparent addition, "effective as of the Effective Time,"  
16 which is redlined, "Buyer will purchase from  
17 Stockholder, and Stockholder will sell to Buyer, the  
18 Common Stock for the Purchase Price," which is the  
19 paragraph we find in the Stock Purchase Agreement  
20 between K-Pipe Merger and --

21 THE WITNESS: Right. I'm following you.

22 MS. PETERS: Do you see that those are the  
23 same with the changes in the draft?

24 THE WITNESS: Yes. Yes. Yes.

25 MS. PETERS: Were you aware that your

1 drafting changes would end up in an agreement between

2 K-Pipe Merger and Mr. Langley?

3 MR. STERN: I'm going to object to the  
4 form of the question. It assumes facts not established.

5 MS. PETERS: Were you aware that your  
6 changes in the draft of your Stock Purchase Agreement  
7 with Mr. Langley would end up in an agreement between  
8 Mr. Langley and K-Pipe Merger?

9 MR. STERN: Same objection.

10 MS. PETERS: Please answer the question.  
11 You need to answer the question.

12 THE WITNESS: I don't recall being aware  
13 of it, no.

14 MS. PETERS: But you were aware that  
15 Mr. Langley was negotiating an agreement with K-Pipe  
16 Merger?

17 THE WITNESS: Yes.

18 MS. PETERS: And it was a stock sale  
19 agreement.

20 THE WITNESS: Yes.

21 MS. PETERS: And you, being Midcoast, was  
22 negotiating with Mr. Langley during this same time  
23 period for -- regarding a Stock Purchase Agreement.

24 THE WITNESS: We were on a second track  
25 negotiating a stock purchase agreement. For how long, I

1 don't specifically remember.

2 I mean, I'm having to go back and look at  
3 the billing and try to figure it out from there.

4 MS. PETERS: Sure.

5 THE WITNESS: I do not recall  
6 participating or giving anything for -- between K-Pipe  
7 and Langley.

8 Now, I mean, Bryan Cave could have put  
9 that in; or they could have given a copy to Fortrend. I  
10 don't know, but I don't remember ever giving anything or  
11 working on a stock purchase agreement between K-Pipe and  
12 Langley. I don't believe that I would have done that.

13 MS. PETERS: Okay.

14 THE WITNESS: So I have to -- my  
15 presumption is that they just took the same language,  
16 which is -- and used it in their document, which, you  
17 know -- I mean, that's --

18 MS. PETERS: Okay.

19 But you can kind of see our question about  
20 your meeting, then, on the -- between the 22nd and 24th  
21 that's shown in Exhibit 1.

22 Mr. Langley executed the Stock Purchase  
23 Agreement on the 25th of October.

24 Do you want to do that e-mail?

25 MS. CRESWELL: Yeah.

1                   Enter e-mail dated 10/25/99 from James  
2   Pryde to Ron Chachere, Chip Berthelot, Chris Kaitson,  
3   Tino Monaldo, Y. Korb into the record as Exhibit 12.  
4   This document is numbered KP1136.

5           Q       (BY MS. CRESWELL) This e-mail is referencing  
6   clean copies to be -- of what we believe are the final  
7   documents.

8                   What are those clean copies of?

9                   Pardon me.

10                  Are you familiar with this document?

11          A       I don't remember it; but, you know, I'm not  
12   saying I didn't receive it by any means. I just don't  
13   remember it.

14                  MS. PETERS: Well, we understand that  
15   Mr. Langley executed the Stock Purchase Agreement that  
16   we have here as Exhibit 10 between himself and K-Pipe  
17   Merger on October 25th.

18                  This references: "Dennis plans on  
19   executing the SPA this evening" --

20                  MR. STERN: Could you speak up?

21                  I'm sorry. I'm having a hard time hearing  
22   you.

23                  MS. PETERS: I'm sorry. Let me speak up a  
24   little louder.

25                  This e-mail, Exhibit 12, states that:



1 "Dennis plans on executing the SPA this evening" --  
2 which I understand stands for "Stock Purchase  
3 Agreement."

4 Would you agree that that's --

5 THE WITNESS: Yes, ma'am.

6 MS. PETERS: -- what the initials stand  
7 for?

8 THE WITNESS: Yes.

9 MS. PETERS: -- "and we have requested  
10 signatures by K-Pipe and Fortrend also."

11 Our belief is that that would be  
12 referencing Exhibit 10.

13 Is that -- would that be consistent with  
14 what your belief about what the attachment would be to  
15 this, or would it possibly be a different document?

16 THE WITNESS: I mean, I don't have any  
17 specific recollection of it; but, I mean, I would draw  
18 that same conclusion.

19 MS. PETERS: Okay. So given that  
20 Mr. Langley appears to have signed this Stock Purchase  
21 Agreement on 10/25, we were interested in this meeting  
22 that is referenced in your billing records on 10/22,  
23 10/23, and 10/24 in which it -- you are meeting with  
24 representatives from PWC, representatives from Fortrend,  
25 representatives from Mr. Langley and Bishop Group.

1                   And you can, I think, at this point,  
2 understand why we were interested in that particular  
3 date, given that this agreement becomes final the  
4 subsequent day.

5                   Let me just confirm what your testimony  
6 was as far as this date and what documents you were  
7 working on.

8                   You were working on a stock purchase  
9 agreement on that date?

10                  MR. STERN: What date?

11                  MS. PETERS: Do you recall?

12                  THE WITNESS: No, I don't -- I do not --

13                  MS. PETERS: 10/22 through 10/24.

14                  You don't recall what document you were  
15 specifically working on.

16                  THE WITNESS: No. No. I mean -- no. I  
17 mean, I would think that since it involved Monaldo and  
18 Pryde, I mean, it had to encompass those ancillary  
19 agreements that we were going to inherit one way or  
20 another, if we bought it directly or if we bought  
21 assets.

22                  MS. PETERS: The project development  
23 agreement?

24                  THE WITNESS: The project development  
25 agreement, I'm sure that was involved; but whether a

1 stock purchase agreement was still involved, I don't  
2 know. I just don't recall, but it doesn't make sense to  
3 me that it would be at that point in time. I mean --

4 MS. PETERS: Okay. So we have a draft of  
5 a Stock Purchase Agreement in Exhibit 6 that's dated  
6 10/7 that's a draft, and we have -- we have a draft of a  
7 Stock Purchase Agreement in Exhibit 9 that's dated  
8 10/14.

9 And it sounds like from what you've just  
10 said that somewhere between 10/14 and this meeting on  
11 10/22 through 10/24 you were not negotiating a stock  
12 purchase agreement any longer with Mr. Langley?

13 MR. STERN: I'm going to object to your  
14 repeated characterization of the entry from October 22  
15 through 24 as a meeting.

16 MS. PETERS: It says "continued extensive  
17 meetings."

18 MR. STERN: Plural.

19 MS. PETERS: Okay. Well, several  
20 meetings.

21 So over that period of time, 10/22 through  
22 10/24, it sounded like from what you said just a moment  
23 ago that this Stock Purchase Agreement for which we have  
24 drafts in Exhibit 6 and Exhibit 9, you were no longer  
25 discussing with --

1                   THE WITNESS: I don't think so. I don't  
2 have any specific recollection, but it wouldn't make  
3 sense to me. I mean, at some point in time, it would be  
4 like, "Okay. Langley's going to do the deal with  
5 Fortrend." So there would be no reason for us to be  
6 involved negotiating further with Langley on our own  
7 stock purchase if it looks like a deal has gelled with  
8 Fortrend. Then we've got to get our deal done with  
9 Fortrend to buy assets is what I believe the scenario  
10 would be during that period of time.

11                   MS. PETERS: Okay.

12                   THE WITNESS: But, again, I'm just piecing  
13 it together.

14                   MS. PETERS: Sure.

15                   THE WITNESS: I just don't remember  
16 specifically, but that's what logically comes to me and  
17 what I can piece together.

18                   MS. PETERS: Okay.

19                   MS. CRESWELL: Enter fax transmittal dated  
20 10/28 from Midcoast to Jim Pryde into the record as  
21 Exhibit 13. Attachments to the fax are the Guaranty  
22 (Parent-Assumption Agreement), the Guaranty (KPC), and  
23 Project Participation Agreement between MarGasCo  
24 Partnership and Management Resources Group, L.L.C. This  
25 document is numbered KP1301 through KP1325 and Bates

1 Stamp numbered 002323 through 002347.

2 Q (BY MS. CRESWELL) Do you need a moment to  
3 familiarize yourself with that document, Mr. Chachere?

4 A Okay.

5 (Reading silently.)

6 Okay.

7 Q Are you familiar with this document?

8 A Not really. I don't specifically remember it.

9 I remember there were some Guaranty agreements, but I  
10 don't specifically remember this one.

11 Q Can you identify the handwriting on the first  
12 page, which is KP1301?

13 A No, ma'am.

14 Q Okay. That's not your handwriting, then, on  
15 that fax transmittal sheet?

16 A No.

17 Q Can you identify the handwriting throughout the  
18 document?

19 It looks to me to be the same bold  
20 handwriting.

21 Would you just confirm that that --

22 A Well, it looks like my handwriting.

23 Q Okay. I don't see any different handwriting  
24 throughout the document other than yours. I've flipped  
25 through it pretty quickly but --

1           A     I didn't look through every page; but, you  
2     know, unless there's some notes like on some of the  
3     others, I believe it would all be mine.

4           Q     The only handwriting that looks a little bit  
5     different to me is found on KP1305 and it may just have  
6     been that you were using a different pen, but it appears  
7     to be maybe a different handwriting, the numbers where  
8     it says "p" -- "page 1, 2, 3, 4."

9           A     No, that is not my handwriting.

10          Q     Okay.

11          A     Nor that "Participation." I don't think that's  
12     mine either.

13          Q     Okay.

14                   MS. PETERS: And up in the right-hand  
15     corner --

16                   THE WITNESS: Up in the right-hand  
17     corner --

18                   MS. PETERS: -- "Handwritten revisions  
19     made as per discussion with Dan Tutcher" --

20                   THE WITNESS: That's my handwriting, yes.

21          Q     (BY MS. CRESWELL) Those were the only two --  
22     or only one spot that looked to be a different  
23     handwriting.

24          A     Okay.

25          Q     Let's refer back now to Exhibit 1, date of

1 10/28.

2                   Would Exhibit 13 that we just discussed,  
3 would that be what is being referenced here in Exhibit 1  
4 on 10/28?

5                   It says -- the entry on Exhibit 1, date  
6 10/28, states: "Discussions with Dan Tutcher concerning  
7 Project Development Agreement issues; making of further  
8 revisions; discussions with Dennis Langley; return to  
9 Corpus; telephone discussions with Chip Berthelot."

10         A       That would be a portion of this, yeah. It says  
11 "Project" -- "Development" is scratched out --  
12 "Participation Agreement."

13         Q       Okay. Do you know at what point was the  
14 decision made that the project development agreements  
15 would not be fulfilled or the option to terminate them  
16 would be exercised?

17         A       At what point in time?

18         Q       Uh-huh.

19         A       Well, I think it was an option, as you say, to  
20 cancel it -- right --

21         Q       Right.

22         A       -- by making a payment?

23         Q       Uh-huh.

24         A       So I think that that's what Midcoast preferred  
25 to do if they were financially able to do it; but that

1 would have been, I think, after the closing.

2 Q Right.

3 But was the -- do you know when the  
4 decision was made to not fulfill that or --

5 A Well --

6 MR. STERN: I'm going to object to that.

7 MS. CRESWELL: Okay.

8 MS. PETERS: It was our understanding that  
9 prior to the closing with -- K-Pipe and Dennis Langley's  
10 closing on the 8th and 9th that a decision had been made  
11 at Midcoast that Midcoast wasn't interested in pursuing  
12 the items within the project development agreement and  
13 that the option would be exercised to terminate them.

14 THE WITNESS: Okay. I don't know when  
15 they made the decision to --

16 MS. PETERS: Okay.

17 THE WITNESS: But I can tell you about  
18 this, because this was -- I came back. I called Dan.

19 MR. STERN: I'm going to instruct you not  
20 to disclose confidential communications with the client.  
21 If they're not confidential, that's fine; but,  
22 otherwise, it's privileged.

23 MS. PETERS: Were you aware before the  
24 closing that the -- it was planned for the project  
25 development agreement not to be pursued?



1 THE WITNESS: I was aware that we wanted  
2 to have that option where we could undo it and not have  
3 any further dealings with Dennis.

4 MS. PETERS: Where you could terminate it.

5 THE WITNESS: Where we could terminate it,  
6 yes.

7 It was structured that way --

8 MS. PETERS: Was that option part of the  
9 structure of the project development agreement from the  
10 onset of the project development agreement, or was that  
11 something --

12 THE WITNESS: No, ma'am.

13 MS. PETERS: About what point was the  
14 option agreement added?

15 THE WITNESS: Well, I'd have to look at  
16 these time sheets and also the travel time to try to  
17 figure out when but --

18 MS. PETERS: If you would take a moment.  
19 An approximate time. I mean, if it was halfway through  
20 your negotiations or kind of an idea.

21 THE WITNESS: I'm going to say  
22 October 26th.

23 MS. PETERS: Oh, okay.

24 THE WITNESS: I believe that's correct.

25 MS. PETERS: Once that option agreement

1 was added, it looks like there's continuous --  
2 continuing revision on the project development  
3 agreement.

4 So was there a continuing attempt to try  
5 to find an agreement that was workable for everyone?

6 THE WITNESS: Yes.

7 MS. PETERS: So even though you added that  
8 option agreement, it was kind of an easy exit in case  
9 nothing worked out? Was that the feeling, or what was  
10 the thought?

11 THE WITNESS: Yeah. I think so, yeah.

12 MS. PETERS: Okay.

13 Q (BY MS. CRESWELL) If we could refer to  
14 Exhibit 1, the date of 11/2, that entry states:  
15 "Continued work on issues and document revisions,  
16 inclusive of various discussions with parties and  
17 attorneys, etc."

18 Is that what you're seeing there,  
19 Mr. Chachere?

20 A Are you asking about the project development  
21 agreement?

22 Q No. Just as I'm reading the entry on 11/2.

23 A That's what it says.

24 Q Okay.

25 MS. CRESWELL: Enter e-mail cover sheet

1 and attachment dated 11/2/99 from James Pryde to Ron  
2 Chachere, Chip Berthelot, Chris Kaitson, Craig Hoffman,  
3 Cynthia Morelli, Tino Monaldo, and Y. Korb regarding  
4 changing -- regarding changes in Stock Redemption  
5 Agreement per R. Chachere into the record as Exhibit 14.  
6 This document is numbered KP1421 through KP1434.

7 Q (BY MS. CRESWELL) I'll give you a minute to  
8 look through that if you need to, Mr. Chachere.

9 A (Reading silently.)

10 Okay.

11 Q Okay. Is this document familiar to you?

12 A No, I don't specifically recall it; but I'm  
13 sure at the time, you know, I probably did.

14 MS. PETERS: Would you have made changes  
15 to this document as it states on the --

16 THE WITNESS: I don't have any  
17 recollection of doing that, but I have no reason to  
18 think that the e-mail is wrong.

19 MS. PETERS: Okay.

20 Q (BY MS. CRESWELL) If you would look at page  
21 KP1422, which is the second page in, about halfway down  
22 in Paragraph 1, it's headed "Sale of Stock"; and it  
23 says: "Stockholder shall assign, sell and transfer to  
24 Company" a number of shares, "13,005.2625 shares of  
25 common stock of the Company."

1                   Do you know how the number of shares  
2 redeemed was determined?

3           A       No, ma'am.

4           Q       Okay.

5                   MS. PETERS:  Would someone have just  
6 provided you with that number; or where would that  
7 number have come from, from your perspective?

8                   THE WITNESS:  I don't know, but I  
9 wouldn't -- I mean, that would be outside my area of  
10 involvement really.  I mean, I --

11          Q       (BY MS. CRESWELL)  Right.

12                   Mr. Langley was redeemed of these shares  
13 and did receive assets in return for the redemption as  
14 the document states.

15                   To your knowledge, were these assets that  
16 Langley wanted; or were they assets that Midcoast did  
17 not want?  Do you have a --

18          A       I don't know.  I just don't recall.

19          Q       Do you know how the Stock Redemption Agreement  
20 was negotiated?

21          A       No, ma'am.

22                   MS. PETERS:  Okay.  If you would, look at  
23 your Stock Purchase Agreement, which is Exhibit 11.

24                   It's actually the preamble, the schedules.

25                   THE WITNESS:  I've got that.

1 MS. PETERS: And on page Bates stamped 332  
2 toward the bottom --

3 THE WITNESS: All right.

4 MS. PETERS: -- is Schedule 5.4B, Stock  
5 Redemption Agreement.

6 And in comparing this to the exhibit we  
7 were just discussing -- which, I think, is Exhibit 14,  
8 Stock Redemption Agreement attached to the e-mail -- the  
9 shares of stock in the e-mail attachment is 13,005.2625;  
10 and the shares of stock in the Stock Redemption  
11 Agreement, which is part of the Stock Purchase Agreement  
12 between K-Pipe and Dennis Langley, is 13,005.2642.

13 And in every other way that I've been  
14 looking at this document, they are the same and  
15 consistent with the changes that it appears you  
16 requested on --

17 THE WITNESS: Let me make one --

18 MR. STERN: I'm going to object --

19 MS. PETERS: -- this first agreement on  
20 11/2/99.

21 Do you want to compare the two documents?

22 MR. STERN: I'm going to object to the  
23 characterization of the document -- or documents.

24 MS. PETERS: So this draft of 11/2/99,  
25 Exhibit 14, and the Schedule 5.4 to the Stock Purchase

1 Agreement, Exhibit 11, appear to me to be exactly the  
2 same, including, for example, on page 5 of Exhibit 14,  
3 this draft Stock Redemption Agreement, the title  
4 "Vice President" appears on page 5 of this attachment,  
5 5.4B in Exhibit 11.

6 MR. STERN: Same objection.

7 MS. PETERS: Do you see anything different  
8 between these two documents?

9 THE WITNESS: Well, I mean, I haven't  
10 checked every word of it; but I'll take your word for  
11 it. I mean, I just don't remember it; but, I mean --  
12 and it's a third party saying these are my changes. I  
13 don't remember, you know, making any of these changes.  
14 I'm not saying I didn't, but I just don't recall it.

15 MS. PETERS: Sure.

16 THE WITNESS: But I will say this: I  
17 don't -- I mean, would not make the change for the  
18 number of shares.

19 MS. PETERS: Well, I'm assuming that  
20 someone told you that's what the number should be.

21 THE WITNESS: Well, you know, someone  
22 could have told me; or Pryde just could have done that  
23 on his own. I mean, I don't know where that came from  
24 at all.

25 MS. PETERS: But he did send this.

1                   THE WITNESS: Even though he's saying in  
2 the e-mail "per Ron Chachere," that doesn't mean that  
3 it's -- what he's saying is right, because as I  
4 mentioned before, he would make some of our changes; and  
5 some he wouldn't. And, you know, I don't recall if he  
6 added stuff or not; but he could very well have done  
7 that on his own.

8                   MS. PETERS: Okay. Now, I notice that the  
9 date here on Exhibit 14 is 11/2/99; and this Stock  
10 Purchase Agreement between K-Pipe Merger and Dennis  
11 Langley, Exhibit 10, which was executed on 10/25/99, and  
12 including the Exhibit 11, the schedule preamble, which  
13 includes the Stock Redemption Agreement, would have been  
14 part of -- is part of that Stock Purchase Agreement.

15                   I guess I'm curious as to these changes  
16 taking place after the Stock Purchase Agreement was  
17 executed.

18                   Would you have any idea about what was  
19 taking place that there would be these changes on 11/2  
20 that seemed to appear in a document executed  
21 October 25th?

22                   THE WITNESS: I have no clue. I just  
23 don't --

24                   MS. PETERS: And also why would Mr. Pryde  
25 be sending you -- if they were not your changes, why

1 would he even be sending you changes to this?

2 THE WITNESS: Well, I can think of a  
3 reason. I mean, it's like -- I was talking about those  
4 project development agreements. We're going to be  
5 either buying it directly from Langley, either the  
6 assets or stock; or we're going to be buying it  
7 indirectly. In any case, whatever Langley is doing in  
8 the eleventh hour that involves the -- Fortrend, we --  
9 as part of our due diligence, we're saying, "What's  
10 going on here?"

11 At that time, we knew -- I mean, I knew  
12 what Langley was capable of; and we were wanting to --  
13 it would be just part of our normal due diligence.  
14 We're not going to go blindly, just buy assets, and not  
15 know what's transpiring on the transaction that may be  
16 right ahead of us.

17 So -- and at the same time, you know, I  
18 mean, Langley is wanting to sell. So if we're saying we  
19 needed something for due diligence, then I'm sure  
20 they're cooperating, you know.

21 That's a scenario I see that fits.

22 MS. PETERS: So would Midcoast have had  
23 input into the transaction between Langley and Fortrend?

24 THE WITNESS: In that sense, indirectly,  
25 in that if we're having these ancillary agreements that



1 we're going to inherit with a project development  
2 agreement or his -- whatever he's doing internally --  
3 and I don't know what this was all about but -- and I'm  
4 referring to this Stock Redemption Agreement; but  
5 whatever he's doing there, we have to be comfortable  
6 that we're actually buying what we think we're buying.

7                   And it was a very convoluted, complex  
8 transaction. It was -- I mean, it took a whole team of  
9 people. And, again, we're negotiating at the same time  
10 we're drawing documents and trying to -- this thing's  
11 evolving, you know; and it doesn't really settle down  
12 until everybody is inked up and closed, you know.

13                   I mean, in this deal, you didn't know  
14 whether it would close and -- or whether something would  
15 blow apart. I mean, somebody could have come in even  
16 after it's inked up and made Langley a better offer; and  
17 it might have blown the deal apart. It was very  
18 tenuous.

19                   So I just don't recall all the specifics,  
20 but I do recall -- I mean, it was the most complex  
21 transaction I've ever been involved with; and it would  
22 be -- I mean, it would only be prudent that we would be  
23 knowing what's going on between Langley and K-Pipe. I  
24 mean, they were up there the same time we were, on  
25 opposite sides of the building, you know.

1                   And they were negotiating and then they'd  
2   come negotiate with them. We're negotiating with  
3   Langley and his attorneys, and I don't know who's giving  
4   what to whom. But I'm sure that if K-Pipe is going to  
5   buy it, they're not going to want to buy it unless  
6   they're going to, you know, sell us some of the assets.  
7   So they're going to want us not to back out either. So  
8   they have something to be concerned about.

9                   So, I mean -- I mean, there were two  
10   transactions going on at the same -- well, actually  
11   three for some period of time, three transactions going  
12   on at the same time. And like I said before, we  
13   suspected there was a fourth with another buyer that he  
14   was negotiating, because we never -- I never saw Jim  
15   Pryde's office, and he was not there all the time. And  
16   we suspected he was off drafting stuff with another  
17   buyer.

18                  I mean, these assets were highly prized  
19   assets for long-haul pipeline companies. I mean, it was  
20   sitting in the heart of the midland. It goes down and  
21   has connections into Oklahoma with OneoK, I recall; and  
22   it was -- so it was very tenuous.

23                  MS. PETERS: And you said that this was  
24   the most complicated deal you have done?

25                  THE WITNESS: Uh-huh.

1 MS. PETERS: About how many deals have you  
2 done where you're -- you said originally that that was  
3 your main practice; is that accurate?

4 THE WITNESS: My main practice is oil and  
5 gas; and the pipeline, I got off into pipeline  
6 transactions because of my two clients at Corpus Christi  
7 that also dabble in oil and gas and in pipelines and,  
8 you know, formed up with Dan Tutchter.

9 So basically you're -- you know, it  
10 doesn't matter what type of assets you're buying or  
11 selling or what type of company; it's transactional  
12 work.

13 MS. PETERS: Sure.

14 THE WITNESS: So it just fits but --

15 MS. PETERS: So about how many years of  
16 asset acquisitions or stock purchases have you -- have  
17 you done?

18 THE WITNESS: Well, basically from the  
19 startup of Midcoast, I would say. So --

20 MS. PETERS: Which, I think, was '91?

21 THE WITNESS: Yeah.

22 I mean, I'd done some before; but, I mean,  
23 basically that's where -- you know, they were constantly  
24 looking to acquire assets --

25 MS. PETERS: Okay.

1 THE WITNESS: -- and build their company.

2 MS. PETERS: So that was mainly your  
3 experience with acquisitions was with Midcoast? Is  
4 that --

5 THE WITNESS: Well, I had other deals,  
6 smaller deals. Yeah, not pipeline deals but other types  
7 of businesses, acquisitions and sales, right, before  
8 that.

9 MS. PETERS: Okay. So your main  
10 experience with pipeline-type acquisitions --

11 THE WITNESS: Yes.

12 MS. PETERS: -- was with Midcoast.

13 THE WITNESS: Well, no. It started before  
14 that with another company in Corpus Christi for a number  
15 of years. We sold -- ended up selling off most all  
16 their assets.

17 MS. PETERS: Okay.

18 THE WITNESS: So it was probably for a  
19 period of four or five years before 1991, I was --

20 MS. PETERS: And what made this deal more  
21 complicated than other transactions?

22 THE WITNESS: Just Langley, basically,  
23 with him trying to -- you know, with the project  
24 development agreement, the contingent revenue interest  
25 agreement, all these various entities and, you know, his

1 various financing situations that were involved; and  
2 there would be a lot more expenses incurred if you paid  
3 off debts early and -- that he had and things -- just a  
4 whole string of stuff, you know.

5 MS. PETERS: Okay.

6 THE WITNESS: And --

7 MS. PETERS: So in other deals that you  
8 did, was there this third party that helped facilitate  
9 the deal; or was that a new component for you?

10 MR. STERN: Objection to the form to the  
11 extent that you're saying the third party facilitated  
12 the deal.

13 MS. PETERS: Go ahead and answer the  
14 question.

15 THE WITNESS: I mean, we've -- we've been  
16 on the side where we've bought assets and flipped them  
17 immediately. We knew we were going to buy them, and we  
18 had the buyer lined up. And I can't remember if we had  
19 the agreement in place or not, but we probably did.

20 In other words, we'd buy assets from a  
21 company; and then we would -- Midcoast would sell them.  
22 I remember a transaction like that, yeah. It's not --  
23 it's not unusual in that sense that you would buy. I  
24 mean, there's any number of reasons that you can't -- I  
25 mean, maybe the ultimate buyer can't deal with that

1 particular person that owns the company or something; or  
2 there's some other reason. I don't know.

3 MS. PETERS: Do you see --

4 THE WITNESS: So it's not unusual, no.

5 MS. PETERS: -- stock purchases  
6 immediately followed by asset sales?

7 THE WITNESS: What I'm thinking of was  
8 assets, you know.

9 MS. PETERS: Uh-huh.

10 Do you see the stock purchases followed by  
11 assets sales, or have you not seen that?

12 THE WITNESS: I haven't been directly  
13 involved with it, but I don't think that's anything  
14 unusual.

15 MS. PETERS: Okay.

16 Q (BY MS. CRESWELL) Could we refer back to  
17 Exhibit 1, Mr. Chachere, to the entry for November  
18 the 4th of 1999?

19 And that entry states: "Continued work on  
20 the transaction, including completion of Asset Purchase  
21 Agreement and \$14 million Escrow Agreement."

22 Are you seeing that entry?

23 A Yes, ma'am.

24 Q Okay.

25 MS. CRESWELL: Enter Fax Cover Sheet and

1 partially executed side letter from K-Pipe Merger  
2 Corporation to Midcoast into the record as Exhibit 15.  
3 This document is numbered KP1463 through KP1465 and also  
4 is Bates Stamp numbered 002485 through 002487.

5 Q (BY MS. CRESWELL) Have you had time to glance  
6 at this document?

7 A Yes.

8 Q Okay. Are you familiar with this document,  
9 Mr. Chachere?

10 A I vaguely remember it, yes.

11 Q Would you confirm the signature on the last  
12 page of the document?

13 A That appears to be Richard Robert's signature.

14 Q Okay.

15 MS. PETERS: And the initials next to the  
16 signature, "CK," would those be --

17 THE WITNESS: I assume that's "Chris  
18 Kaitson." He was general counsel.

19 Q (BY MS. CRESWELL) Why would Chris Kaitson send  
20 this document to Jim Pryde, who is with Bryan Cave and  
21 representing Dennis Langley?

22 MR. STERN: Objection. No foundation.

23 Q (BY MS. CRESWELL) This document --

24 MS. PETERS: On the first page, the Fax  
25 Cover Sheet attached to this document, dated

1 November 4th, 1999, states that it's to Jim Pryde, Chris  
2 Kaitson. "Attached is a partially executed side  
3 letter."

4 Do you see that on this cover sheet?

5 THE WITNESS: Yes.

6 MS. PETERS: And the letter appears to be  
7 between K-Pipe Merger and Midcoast and appears to  
8 reference the Asset Purchase Agreement, dated as of  
9 November 5th, and discusses closing and states that for  
10 each day the closing is delayed beyond November 9,  
11 Midcoast will pay to K-Pipe \$21,500.

12 Do you see that?

13 THE WITNESS: Yes.

14 MS. PETERS: Okay. Why would Midcoast be  
15 sending -- considering that this is between K-Pipe and  
16 Merger (sic), be giving a copy of this to the  
17 representatives of Mr. Langley?

18 MR. STERN: Objection. No foundation.

19 MS. PETERS: Please answer the question.

20 THE WITNESS: I don't know. I just  
21 presume that Pryde asked for it.

22 MS. PETERS: Why would --

23 THE WITNESS: Why would he ask for it?

24 MS. PETERS: Yeah. Why would he be  
25 interested?



1                   THE WITNESS: I would just be trying to  
2 get into his mind and speculate. I don't know why but I  
3 presume he asked for it and Chris Kaitson sent it to  
4 him.

5                   MS. PETERS: The provisions in this letter  
6 about the closing dates and amounts for failure to close  
7 timely, who -- how were those terms decided upon?

8                   THE WITNESS: I don't have any  
9 recollection of that. I don't know that I was involved  
10 with that portion of it.

11                  MS. PETERS: Uh-huh.

12                  MS. CRESWELL: Enter a redline draft  
13 letter from Midcoast to Dennis Langley into the record  
14 as Exhibit 16. This document is numbered KP1480 to  
15 KP1481.

16                  This consists of an e-mail cover sheet  
17 from James Pryde to Ron Chachere, Chip Berthelot, Chris  
18 Kaitson, Tino Monaldo, and does have a handwritten note  
19 that does say it's "never used." The subject is  
20 "Changes in Midcoast Side Letter per Ron's Request."

21           Q       (BY MS. CRESWELL) Are you familiar with this  
22 document, Mr. Chachere?

23           A       I don't specifically remember it.

24           Q       How was this agreement negotiated?

25                  MR. STERN: Objection. Assumes facts not

1 established.

2       A     I don't know. I don't have any recollection,  
3 and I don't know that I was involved with the  
4 negotiation part of it. It appears I was involved with  
5 the drafting portion of it because of the e-mail.

6               MS. PETERS: Now, this is a draft of a  
7 letter between Midcoast and Dennis Langley referencing  
8 the Stock Purchase Agreement dated as of October 25th  
9 between Dennis Langley and K-Pipe Merger.

10              "A closing has been set under the Purchase  
11 Agreement for November 5, 1999."

12              Then it references closing dates and an  
13 amount of 21,500 for delays in closing beyond  
14 November 8th.

15              (Sotto voce discussion.)

16              (A lunch break was taken from 11:41 a.m.  
17 to 1:21 p.m.)

18              MS. CRESWELL: I'd like to remind  
19 Mr. Chachere that he is still under oath.

20              THE WITNESS: Yes.

21              MS. CRESWELL: Thank you.

22              Before we left, we had entered -- before  
23 we left for the lunch break, we had put two exhibits  
24 into the record, Exhibit 15 and Exhibit 16; and I'd like  
25 to enter another one at this point.

1                   Enter letter from K-Pipe Merger  
2 Corporation to Dennis Langley into the record as  
3 Exhibit 17. This document is composed of pages 1 and 2  
4 with an additional signature page numbered as page 2.

5           Q     (BY MS. CRESWELL) I'll give you a moment,  
6 Mr. Chachere, to look through this document.

7           A     Okay.

8                   (Reading silently.)

9                   (Discussion off the record.)

10          Q     (BY MS. CRESWELL) Have you had time to look  
11 over the document?

12          A     Yes, I have.

13          Q     Exhibit 17 is a letter from K-Pipe Merger  
14 Corporation to Dennis Langley and it is referencing a  
15 Stock Purchase Agreement and does provide for penalties  
16 for delay in the closing, a 21,500-dollar penalty, and  
17 then down towards the bottom, it references a  
18 15 million-dollar penalty if there is a failure to  
19 close.

20                   Are you familiar with this document,  
21 Mr. Chachere?

22          A     I have seen it before, yes.

23          Q     Okay. Can you tell me in what context you've  
24 seen it?

25          A     Well, I don't remember when I saw it; but it

1 would have to be in the closing documents between K-Pipe  
2 and Langley. So I know I at least saw it at that point  
3 in time. I remember being aware that there was that  
4 type of consideration for delay on closing and also the  
5 penalty if the stock purchase didn't close. I remember  
6 vaguely those numbers and so forth.

7 Q Do you know who participated in the negotiation  
8 of this agreement?

9 A No, ma'am.

10 MS. CRESWELL: Enter e-mail dated 9/11/03  
11 from Thomas Palmisano for PricewaterhouseCoopers to  
12 Chris Kaitson with Midcoast into the record as  
13 Exhibit 18. The document is numbered KP1682.

14 Q (BY MS. CRESWELL) If you'd take just a minute  
15 to familiarize yourself with that one.

16 A Okay.

17 (Reading silently.)

18 Q Are you familiar with this document?

19 A I do not remember it.

20 Q Okay. Can you identify the handwriting there?

21 A Yes. The handwriting is mine.

22 Q Okay. Do you know who had input into this  
23 document?

24 MS. PETERS: This is -- just so you know,  
25 we're just trying to get an idea of how the input was

1 into this particular item just to see about the  
2 relationships of the parties in the transaction.

3 THE WITNESS: Right.

4 MS. PETERS: And it looks like there's  
5 really two e-mails here. The first one is from Chris  
6 Kaitson.

7 THE WITNESS: It's from Palmisano, I  
8 think, is the first one, right?

9 MS. PETERS: Right. I think the first  
10 one --

11 THE WITNESS: Or is the bottom one the  
12 first one?

13 MS. PETERS: The bottom one --

14 THE WITNESS: The bottom one's the first  
15 one, yeah.

16 MS. PETERS: -- I think, comes first. It  
17 appears to be from Chris Kaitson, and he's sending it to  
18 himself and then to Cynthia Morelli and Gary Wilcox and  
19 Graham Taylor and Richard Robert --

20 THE WITNESS: Right.

21 MS. PETERS: -- and Ron Chachere and Tom  
22 Palmisano. And then Tom Palmisano responds.

23 THE WITNESS: Okay.

24 MS. PETERS: And I guess our interest is  
25 this comment on that first e-mail that's at the bottom

1 of the e-mail, where it says: "PWC's other comments are  
2 being addressed, but item 3 (per Jim Pryde) does not  
3 belong in the SPA," which we understand to be "Stock  
4 Purchase Agreement."

5 Does that sound correct?

6 THE WITNESS: That's correct.

7 MS. PETERS: Okay. "They have no reason  
8 to be interested in such 2 year period. What about  
9 putting it in the Asset Agreement or a side letter."

10 And then Item 3 just below that says:  
11 "Stock Purchase Agreement. Add a representation . . .  
12 in the SPA to the effect that K-Pipe has no plan or  
13 intention to liquidate The Bishop Group, Ltd., and in  
14 any event will not liquidate such corporation for at  
15 least two years."

16 Then at the top -- do you see that, No. 3  
17 there?

18 THE WITNESS: Yes.

19 MS. PETERS: And then at the top, there's  
20 a response from Tom Palmisano that: "This is a very  
21 important representation which needs to be in either the  
22 SPA or a side letter between K-Pipe and Langley. This  
23 should definitely NOT be in the asset purchase agreement  
24 as an asset buyer would be indifferent."

25 And what was your understanding of why it

1 was a very important representation?

2 MR. STERN: Objection. No foundation.

3 THE WITNESS: I don't specifically recall;

4 but, I mean, in my mind, I'm thinking that -- you know,

5 I didn't understand all -- and I still don't; but I

6 think this is Gary Wilcox structuring it, saying to us,

7 "This is important that this be done in the structure."

8 And we're just following his advice is what I believe.

9 MS. PETERS: Okay. So Gary Wilcox, then,

10 is providing input into an item that's ultimately

11 located in Exhibit 17, this letter between Dennis

12 Langley and K-Pipe Merger? Would that be accurate?

13 THE WITNESS: Well, I don't -- I mean,

14 Item 3 says "Stock Purchase" here; and I'm just reading.

15 I don't recall. I don't know if it was in there or not,

16 but that's what I'm surmising from reading it.

17 MS. PETERS: On Exhibit 17 on No. 2 --

18 THE WITNESS: Okay. No. --

19 MS. PETERS: -- which is K-Pipe

20 Merger/Dennis Langley, that letter we just handed you.

21 THE WITNESS: This one (indicating)?

22 MS. PETERS: No.

23 THE WITNESS: This one (indicating)?

24 MS. PETERS: Yes.

25 No. 2, it just says: "K-Pipe represents

1 and warrants to Langley that K-Pipe has no plan or  
2 intention to liquidate the Company and agrees it will  
3 not liquidate the Company for at least two years after  
4 the closing date."

5 That appears to be this -- what the  
6 e-mail, Exhibit 18, is referring to.

7 THE WITNESS: I would agree.

8 MS. PETERS: Okay. As far as this e-mail,  
9 it also -- Exhibit 18 refers to -- it says: "PWC's  
10 other comments are being addressed"; and then we don't  
11 actually have much of their other comments except for  
12 No. 4.

13 Was it common for -- during this  
14 transaction, for PWC to submit comments via e-mail to  
15 Midcoast as far as what would be in the agreement,  
16 similar to this e-mail that we have here?

17 THE WITNESS: I don't remember. I mean,  
18 they would make comments, whether it would be orally if  
19 we're in a meeting, if they weren't available. You  
20 know, I don't know if it was common; but I guess it  
21 occurred, yeah.

22 MS. PETERS: Okay. But this type of input  
23 into the agreements, was that something that PWC did?

24 THE WITNESS: Well, again, this gets back  
25 to the -- in my mind, to the due diligence-type part of



1 it. In other words, we've got to make sure that the  
2 transaction ahead of us is not going to come unraveled.  
3 So we're relying on PWC and say, "What needs to be done  
4 here?" is what I'm getting out of all this. I mean,  
5 that -- yeah.

6 MS. PETERS: Okay. So they did -- they  
7 did have input into drafting items?

8 THE WITNESS: You know, I guess from the  
9 standpoint of these issues that could affect Midcoast --

10 MS. PETERS: Right.

11 THE WITNESS: -- but not in the sense that  
12 we're going to go in and negotiate the deal or  
13 something. I mean, it would be -- you know, I mean, it  
14 would be very limited, like the role that I was talking  
15 about with those ancillary agreements. It would be,  
16 like, "Okay. If it's going to have a big effect on  
17 Midcoast" -- I mean, it's no secret -- I mean, Fortrend  
18 is buying from Langley; and we're going to buy certain  
19 assets from Fortrend if they make the deal work.

20 So we, again, have got to make sure that  
21 certain things are structured where it can work for us.  
22 So I think that that's what PWC was doing in a very  
23 limited situation.

24 And on the other hand, Langley was  
25 allowing it because -- I mean, he knew that assets were

1 going to be sold by Fortrend, K-Pipe. So that's what I  
2 see going on here.

3 MS. PETERS: Okay.

4 THE WITNESS: I don't understand the tax  
5 part of it; but to the extent it was communicated to us,  
6 we just sent it on to Langley to say it's got to be --  
7 or to K-Pipe's lawyers, saying, it needs to be in there,  
8 you know.

9 MS. PETERS: So let me see if I'm  
10 understanding what you're saying is that PWC, more or  
11 less, made comments about --

12 THE WITNESS: Things that would need to be  
13 in the agreement that could affect us; and when I say  
14 "us," I'm saying "Midcoast," obviously, that if things  
15 were not correct on this one side of the transaction, it  
16 could affect this other side of the transaction.

17 So we were -- I assume we were asking  
18 PWC -- I mean, I wasn't talking directly to them about  
19 all these issues; but, you know, "What needs to be done  
20 here?"

21 MS. PETERS: Okay.

22 THE WITNESS: And then apparently there  
23 was this communication back and forth with other  
24 parties, say, you know, "If you're doing to deal, this  
25 is what we need," the same as I'm saying that I was

1 involved in those agreements for project development and  
2 the contingent revenue interest agreement and all of  
3 that, because it was going to affect us long-term.

4 And this is another aspect of what's going  
5 to affect us; but it's from, you know, the tax angle of  
6 it, which PWC was advising Midcoast.

7 And then Midcoast was relying it on,  
8 saying, you know, "This is what we expect if we're going  
9 to be able to enter into an agreement."

10 So that's what I'm gleaning out of this.

11 MS. PETERS: Okay. Okay.

12 Q (BY MS. CRESWELL) Okay. Mr. Chachere, if you  
13 would look back at Exhibit 1; and the date would be  
14 11/4. It says: "Continued work on the transaction,  
15 including completion of Asset Purchase Agreement and  
16 \$14 million Escrow Agreement"; is that correct?

17 A Yes, ma'am.

18 MS. CRESWELL: Enter Asset Purchase  
19 Agreement into the record as Exhibit 19. It is numbered  
20 pages 1 through page 30.

21 Q (BY MS. CRESWELL) The Asset Purchase Agreement  
22 is made and entered into as of November the 5th by and  
23 among K-Pipe Merger Corporation and Midcoast Energy  
24 Resources; is that correct?

25 A That's correct.

1 Q Does the Purchase and Sale Agreement, which is  
2 referenced in Exhibit 1 on the date of 9 -- 9/21 --

3 MS. CRESWELL: Am I in the right spot, or  
4 am I in the wrong spot?

5 MS. PETERS: 11/4.

6 Q (BY MS. CRESWELL) Okay. Is this Asset  
7 Purchase Agreement that's referenced on 11/4, is that  
8 this agreement, Exhibit 19?

9 Does that make sense?

10 A Yeah. I understand what you're saying.

11 MS. PETERS: You might just clarify it a  
12 little bit so we're all looking for it.

13 MS. CRESWELL: Okay. We have just entered  
14 the Asset Purchase Agreement, which is Exhibit 19, into  
15 the record; and hopefully we're looking at the correct  
16 date, November the -- well, the entry on Exhibit 1 is  
17 November the 4th; and it does say: "Continued work on  
18 the transaction, including completion of the Asset  
19 Purchase Agreement."

20 Q (BY MS. CRESWELL) Would this be the agreement  
21 that was worked on on November the 4th, as referenced in  
22 Exhibit 1?

23 Is Exhibit 19 what is referenced in  
24 Exhibit 1?

25 A I believe it would have to be.

1 Q Thank you.

2 A It's got a different nomenclature on it but --

3 Q Thank you very much.

4 If you would again look at Exhibit 19,  
5 please, Mr. Chachere; and look at page 8.

6 A All right.

7 Q Down at the bottom, Paragraph 2.5(c), this  
8 refers to a cause of action?

9 I'll let you glance at that for a moment.

10 A All right.

11 Q Was -- this is talking about excluded assets.

12 Was this something that K-Pipe wanted to  
13 retain in the deal, this particular cause of action, or  
14 that Midcoast did not want to have included as part of  
15 the purchase; or are you familiar with this clause?

16 A You know, I just vaguely remember the name  
17 "Western Resources" and "OneoK"; but I just don't  
18 recall, you know, who negotiated what or what -- you  
19 know, who wanted what. I don't know that I was involved  
20 in that. I mean, I would just be told what the deal was  
21 and work from that.

22 MS. PETERS: I just have one question  
23 here: We had talked before, when we were discussing the  
24 September 20th items, about the Purchase and Sale  
25 Agreement. It's called Purchase and Sale Agreement on

1 9/20; and then 9/21, it says "for certain assets."

2 Was that the agreement that evolved into  
3 Exhibit 19 or did you stop and start over or kind of  
4 what was its heritage?

5 THE WITNESS: The one -- you're talking  
6 about 9/21 with Pipeline Holdings Partners?

7 MS. PETERS: Right.

8 Did it evolve into this or did --

9 THE WITNESS: That's what I'm thinking,  
10 yes. I think that I -- I must have been told that the  
11 entity buying it, its name is Pipeline Holdings  
12 Partners. Then Fortrend actually formed -- used another  
13 name or changed their mind or something.

14 And the draft that we -- the nomenclature  
15 of the draft at that time, I guess, was "Purchase and  
16 Sale" and it ended up through -- you know, various  
17 versions, ended up being called Asset Purchase  
18 Agreement, but I believe it's the same thing, yeah.

19 MS. PETERS: Okay.

20 MS. CRESWELL: Enter Butcher Interest  
21 Partnership General Partnership Agreement into the  
22 record as Exhibit 20. This document is Bates Stamp  
23 numbered 001031 through 001040. This is a General  
24 Partnership Agreement entered into between Mid Louisiana  
25 Gas Company and K-Pipe Group, Inc., as of the 8th day of

1 November, 1999.

2 Do you think we have the --

3 Q (BY MS. CRESWELL) Are you familiar with this  
4 partnership agreement?

5 A Somewhat, yes.

6 Q We've gone -- did you assist with drafting the  
7 partnership agreement?

8 A I believe so.

9 Q And if you would just confirm the signature  
10 over on page 7 of that partnership agreement.

11 A Looks like Richard Robert's signature; and from  
12 what I recall of Larry Austin, that looks like his  
13 signature, too.

14 MS. PETERS: What was Larry Austin's role  
15 in the transaction?

16 THE WITNESS: He was president of this  
17 K-Pipe Group, Inc. -- I don't know -- or maybe president  
18 of several entities; and I think his wife was the  
19 secretary of it or something.

20 MS. PETERS: Did you ever meet with him?

21 THE WITNESS: At closing, I did.

22 MS. PETERS: At closing.

23 THE WITNESS: Uh-huh.

24 MS. PETERS: Now, did you go to both of  
25 the closings, the one on the 8th and the one on the 9th?

1 THE WITNESS: No. I was up there in  
2 LeBoeuf Lamb's offices, but I was on a different floor.

3 MS. PETERS: On the 8th.

4 THE WITNESS: Yeah, whatever the time  
5 periods were, yeah.

6 I was not at their closing, no. I was up  
7 in New York and, you know, at LeBoeuf Lamb's offices;  
8 but I was not at their closing, no. I don't even think  
9 I was on the same floor they were on.

10 Q (BY MS. CRESWELL) If I'm understanding the  
11 Butcher Interest in a limited way, the Butcher Interest  
12 is something that was not -- that was separately stated  
13 in the Asset Purchase Agreement.

14 Can you tell us what you know about that  
15 and how that evolved into this partnership agreement?

16 A Well, I think the Butcher Interests were a  
17 stream of revenue interests, if you will, an intangible  
18 right to revenues, if I recall correctly, that was --  
19 you know, was an asset that Langley had amongst all  
20 these entities and so forth.

21 How it evolved into this, you know, I  
22 don't remember. I mean, I did not structure it. I did  
23 some drafting on it, you know, was told, "This is what  
24 needs to be done"; and that's all I really recall.

25 Q On page 2 of the partnership agreement, which



1 is Exhibit 20, Paragraph 6.02, down towards the bottom,  
2 does indicate that -- it says -- that would be  
3 Midcoast if I'm -- or Mid Louisiana Gas Company did  
4 contribute \$225,000 to the partnership and its capital  
5 account.

6 Is that what you're seeing there at that  
7 paragraph, Mr. Chachere?

8 A Yes, ma'am.

9 Q And Midcoast Louisiana Gas was a subsidiary  
10 of -- Mid Louisiana -- sorry -- Mid Louisiana was a  
11 sub -- or is -- or was in 1999 and 2000 a sub of  
12 Midcoast; is that correct?

13 A Yes. Yes.

14 Q Do you have any idea --

15 A It may have been indirect. I don't remember,  
16 but it was one of the Midcoast entities.

17 Q Right.

18 Would you have any idea why the Butcher  
19 Interest was transferred into a partnership?

20 A No, ma'am.

21 Q Okay. At this point in time when the  
22 partnership interest -- or the partnership agreement was  
23 entered into between Mid Louisiana and K-Pipe, there  
24 were the two partners, do you know anything about when  
25 or why Midcoast acquired the full interest in the

1 Butcher Interest --

2 A No, ma'am.

3 Q -- and bought out the other partner?

4 Okay. On 11/5 -- if you would refer back  
5 to Exhibit 1, on 11/5, there is a mention of an Attorney  
6 Davis?

7 A I'm not seeing 11/5.

8 MR. STERN: Down at the bottom.

9 THE WITNESS: Oh. It's just out of order.

10 A Okay. Let me look at that.

11 (Reading silently.)

12 I can't remember the -- Midcoast had a  
13 lender involved and the lender, of course, had an  
14 attorney and that may have been who it was but -- that's  
15 what I'm thinking, but I don't remember his full name.

16 MS. PETERS: Was Midcoast's lender Bank of  
17 America?

18 THE WITNESS: I believe so. I believe  
19 that's right.

20 Q (BY MS. CRESWELL) I have a couple more  
21 questions in regards to Fortrend, if you'll bear with me  
22 on that.

23 Mr. Chachere, do you have -- do you have  
24 any feeling or any knowledge or -- what the business of  
25 Fortrend was, as you understood it? What was their

1 business?

2 A I don't know. I was not involved in that part  
3 of it, you know. I was just told that Fortrend is  
4 coming in and, you know, that we might be able to make a  
5 deal with them to buy the assets. I was just told to  
6 draw documents and talk to their attorneys.

7 Q What was your understanding of Fortrend's role?

8 A They were a buyer of the -- potential buyer of  
9 the stock from Langley's companies -- or of Langley's  
10 companies and that Midcoast would try to make a deal to  
11 buy certain assets from Fortrend's entity.

12 MS. PETERS: As we discussed earlier, the  
13 original draft was -- between Langley and Midcoast was a  
14 stock purchase.

15 Was there a particular reason why the  
16 stock purchase didn't go through?

17 THE WITNESS: You know, I don't know all  
18 the ins and outs of that. I know there were issues.  
19 Obviously tax issues were involved. There were  
20 regulatory issues, selling stock versus selling assets.  
21 Rate case issues could be involved, whether you had to  
22 go in and have -- establish new rates if you bought  
23 assets. I remember vaguely some stuff about all of  
24 that; but I was not involved in deciding, you know,  
25 whether it was going to be an asset purchase or a stock

1 purchase or -- it didn't make any difference to me.

2 MS. PETERS: So when you say "regulatory  
3 issues of buying stock versus buying assets," what are  
4 you referring to?

5 THE WITNESS: Well, the pipelines, I think  
6 most of the assets were FERC regulated; and so I think  
7 there -- I'm not a regulatory lawyer; but I think there  
8 are issues involved with the transfer of assets between,  
9 you know, regulated -- FERC-regulated assets, you know.

10 MS. PETERS: Can FERC -- what is FERC's  
11 role, to the extent that you understand it, when there  
12 is a transfer of a regulated asset?

13 MR. STERN: Objection. No foundation.

14 MS. PETERS: What do they do?

15 THE WITNESS: I really don't know. It's  
16 outside my area, really.

17 MS. PETERS: Have you ever been involved  
18 in a transaction where FERC, because of the regulatory  
19 issues associated with the assets, prevented the sale  
20 from going through?

21 THE WITNESS: I have; but in the context I  
22 remember it was, it was what's referred to as an  
23 abandonment. In other words, the assets would be  
24 abandoned from FERC regulation; become  
25 nonjurisdictional, if you will; and then purchased. And

1 so the deal would be contingent upon, you know, the  
2 spin-down, so to speak, by FERC of an order. I've been  
3 involved with that type of transaction.

4 MS. PETERS: Okay.

5 THE WITNESS: Now, whether that was  
6 involved here, I don't know. You just asked me what all  
7 might be involved, and I'm just trying to think of  
8 what -- kind of recall in the back of my mind might have  
9 been issues.

10 MS. PETERS: Okay. Did you want to take a  
11 minute and come back?

12 See if there are any other comments that  
13 you have, and then we can do that.

14 (A break was taken from 1:53 to 1:55 p.m.)

15 (Proceedings concluded at 1:55 p.m.)

16

17

18

19

20

21

22

23

24

25

1	CHANGES AND SIGNATURE			
2	PAGE	LINE	CHANGE	REASON
3	_____	_____	_____	_____
4	_____	_____	_____	_____
5	_____	_____	_____	_____
6	_____	_____	_____	_____
7	_____	_____	_____	_____
8	_____	_____	_____	_____
9	_____	_____	_____	_____
10	_____	_____	_____	_____
11	_____	_____	_____	_____
12	_____	_____	_____	_____
13	_____	_____	_____	_____
14	_____	_____	_____	_____
15	_____	_____	_____	_____
16	_____	_____	_____	_____
17	_____	_____	_____	_____
18	_____	_____	_____	_____
19	_____	_____	_____	_____
20	_____	_____	_____	_____
21	_____	_____	_____	_____
22	_____	_____	_____	_____
23	_____	_____	_____	_____
24	_____	_____	_____	_____
25	_____	_____	_____	_____

1	PAGE	LINE	CHANGE	REASON
2	_____	_____	_____	_____
3	_____	_____	_____	_____
4	_____	_____	_____	_____
5	_____	_____	_____	_____

6 I, RONALD LOUIS CHACHERE, have read the  
 7 foregoing interview and hereby affix my signature that  
 8 same is true and correct, except as noted above.

8

9 \_\_\_\_\_  
 RONALD LOUIS CHACHERE

10

THE STATE OF TEXAS )

11

COUNTY OF HARRIS )

12

13 Before me, \_\_\_\_\_, on this  
 14 day personally appeared RONALD LOUIS CHACHERE, who

15

\_\_\_ a) is personally known to me or

16

\_\_\_ b) proved to me under oath or

17

\_\_\_ c) proved to me through \_\_\_\_\_  
 (description of identity card or other  
 document)

18

19 to be the person whose name is subscribed to the  
 20 foregoing instrument and acknowledged to me that they  
 21 executed the same for the purposes and consideration  
 22 therein expressed.

21 Given under my hand and seal of office this \_\_\_\_\_ day  
 22 of \_\_\_\_\_, 2003.

23

24

\_\_\_\_\_  
 NOTARY PUBLIC IN AND FOR  
 THE STATE OF TEXAS

25

1 STATE OF TEXAS :

2 COUNTY OF HARRIS :

3

4 I, Meredith A. Shoemaker, a Certified  
5 Shorthand Reporter in and for the State of Texas, hereby  
6 certify that the facts stated by me in the caption  
7 hereto are true; that the foregoing interview of RONALD  
8 LOUIS CHACHERE, the witness hereinbefore named, was  
9 taken by me in machine shorthand, the said witness  
10 having been by me first duly sworn under oath, and later  
11 transcribed from machine shorthand to typewritten form  
12 by me.

13 I further certify that the above and  
14 foregoing interview, as set forth in typewriting, is a  
15 full, true, and correct transcript of the proceedings  
16 had at the time of taking said interview.

17 Given under my hand and seal of office  
18 on this 23rd day of January, 2004.

19

20 \_\_\_\_\_  
Meredith A. Shoemaker, CSR  
21 Texas CSR No. 7202  
Expires: 12/31/2005

22 ALLIED ADVANCED REPORTING, INC.  
1647 Colquitt  
23 Houston, Texas 77006  
713.524.6777  
24 800.223.9409  
713.524.6888 (FAX)  
25 aari@alliedadvancedreporting.com